

Pakistan
Pension Fund

Annual Report 2011



Arif Habib Investments Limited
A Subsidiary of
MCB Bank Limited

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PAKISTAN PENSION FUND FUND'S INFORMATION

Pension Fund Manager

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

Board of Directors of the Pension Fund Manager

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

Company Secretary & CFO of the Pension Fund Manager

Mr. Muhammad Saqib Saleem

Audit Committee

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

Trustee

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

Bankers

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

Auditors

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

Legal Advisor

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

Registrar

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

PAKISTAN PENSION FUND

REPORT OF THE DIRECTOR OF THE FUND MANAGER

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

Economy & Money Market Overview and Outlook

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

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

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

Fiscal indiscipline has remained a cause of concern for the economic managers as the country is expected to witness yet again a deficit of over 6% of the GDP during FY11. Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 783 billion, 4.3% of the revised GDP. Slower growth in revenue collection coupled with higher current expenditure has been the chief reason behind ballooning fiscal deficit. Unfortunately, development expenditure is expected to be under-spent for yet another year to meet revised fiscal deficit targets. In addition of having a higher fiscal deficit, the financing mix is also alarming as the country had to resort to domestic sources of funding to a large extent in the absence of sizeable foreign flows during the period under review.

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

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

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

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

We believe that the materialization of sizeable foreign inflows will continue to be the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. Going forward, liquidity and interest rate direction will be largely dependent on the magnitude and sources of fiscal funding. In the absence of foreign flows, greater reliance will be on domestic sources - which could rebound inflation and interest rates. In this fast changing interest rates scenario, the fund will remain committed towards superior quality assets while continue to exploit attractive opportunities in the market.

Equities Market Overview and Outlook

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

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

PAKISTAN PENSION FUND

REPORT OF THE DIRECTOR OF THE FUND MANAGER

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

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

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

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

Fund's Performance

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

During the year, equity sub-fund generated a return of 23.2% while it's since inception return stands at 1.6%. Money market sub-fund generated an annualized return of 10.6% and it's since inception return stands at 10.2%. Debt sub-fund generated an annualized return of 10.3% during the year while since inception return of the fund stands at 8.5%.

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

Performance Information (%)	Equity	Money Market	Debt
Last twelve Months Return	23.2%	10.6%	10.3%
Since Inception	1.6%	10.2%	8.5%

Equity sub-fund

The net assets of the sub-fund as at June 30, 2011 stood at Rs 60.99 million as compared to Rs 61.01 million at the beginning of the year, registering a slight decline of 0.03%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 101.67 as compared to Rs 82.54 at the beginning of the year, registering an increase of Re. 19.13 per unit.

Debt sub-fund

The net Assets of the sub-fund as at June 30, 2011 stood at Rs 90.51 million as compared to Rs 67.28 million at the beginning of the year, registering a positive change of 34.53%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 134.19 as compared to Rs 121.68 at the beginning of the year, registering an increase of Rs 12.51 per unit.

Money Market sub-fund

The net Assets of the sub-fund as at June 30, 2011 stood at Rs 69.14 million as compared to Rs 47.52 million at the beginning of the year, registering a positive change of 0.45%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 140.78 as compared to Rs 127.25 at the beginning of the year, registering an increase of Rs 13.53 per unit.

PAKISTAN PENSION FUND

REPORT OF THE DIRECTOR OF THE FUND MANAGER

Earnings per Unit

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

Sub-Fund	EPU (Rs)
Equity	12.94
Debt	19.22
Money Market	21.68

Management's Comment to Modification in Audit report

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

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

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

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

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

The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 1.003 million.

External Auditors

The Fund's external auditors, M. Yousuf Adil Saleem & Co., Chartered Accountants, have expressed their willingness to continue as the Fund auditors for the ensuing year ending June 30, 2012. The audit committee of the Board has recommended reappointment of M. Yousuf Adil Saleem & Co., Chartered Accountants, as auditors of the Fund for the year ending June 30, 2012.

Acknowledgement

The Board of Directors of the Pension Fund Manager is thankful to the valued investors of the Fund for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan and MCB Financial Services (Pvt.) Limited (the Trustee of the Fund) for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Pension Fund Manager for the growth and meticulous management of the Fund.

For and on behalf of the board

Yasir Qadri
Chief Executive

Karachi: September 20, 2011

PAKISTAN PENSION FUND REPORT OF THE FUND MANAGER

Fund Type and Category

Pakistan Pension Fund PPF is an Open-End 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

Investment Strategy

PPF 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 PPF 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. Debt Sub-Fund invests in Govt. bonds of duration of less than 5 years. Money Market Sub-Fund invests in short dated money market instruments including Treasury bills.

Manager's Review

Equity Sub-fund

During the year, equity sub-fund generated a return of 23.2% as against KSE-100 index return of 28.5%. As of end-June 2011, about 46% exposure was in three sectors namely Banks, Oil & Gas and Chemicals. POL, HUBC, LUCK, ABL, PPL, MEBL were amongst the major return contributors while PKGS and PSO were major return dampeners.

Sector-wise, the equity sub-fund increased its exposure within Banks from 17% at the beginning of the year to around 20% by end-June 2011 amid higher exposure in Meezan Bank taken during the year. The sub-fund almost doubled its exposure in Oil & Gas sector from around 7% to 13.5% by increasing its holding in POL and PPL mainly. The exposure towards Chemicals was reduced from around 16% to 13% by end-June 2011 as the fund reduced its holdings in ICI and FFBL.

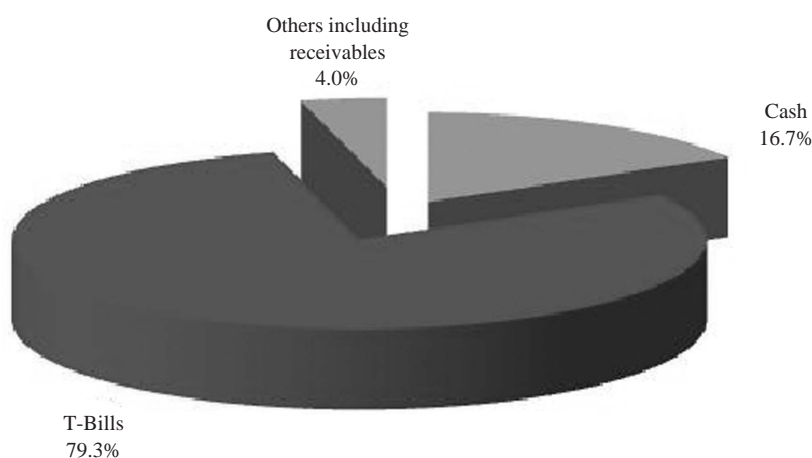
Money Market Sub-fund

The money market sub-fund made an annualized return of 10.6% during the year. The sub-fund was invested in T-Bills almost throughout the year to the tune of over 90%. However, the sub-fund's exposure was around 79% by end-June 2011 as the fund maintained around 17% in cash and bank deposits. The net assets of the sub-fund increased to around Rs. 69.14 million by end-June 2011 as against Rs. 47.52 million at the beginning of the year.

Debt Sub-fund

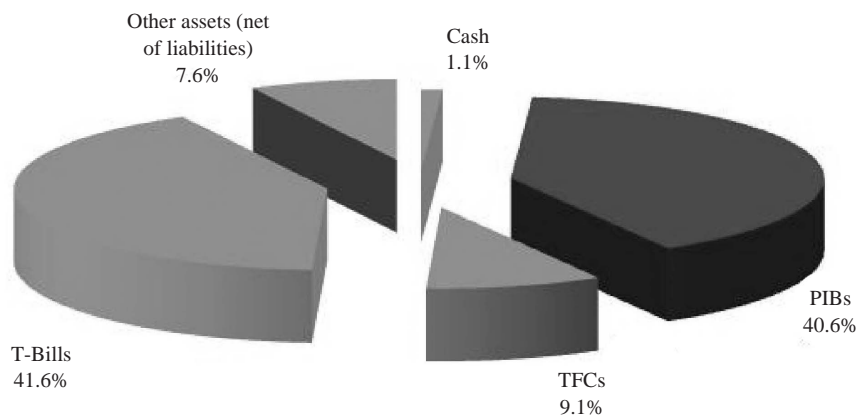
The debt sub-fund generated an annualized return of 10.3% during the year. The sub-fund was largely invested in Government papers due to its attractive risk-return profile with T-bills exposure stood at 42% while PIBs exposure remained at 41% as of end-June 2011. The sub-fund reduced its TFCs exposure from 27% at the beginning of the period to around 9% as of end-June 2011. The net assets of the sub-fund increased to Rs. 90.51 million as against Rs. 67.28 million at the beginning of the year.

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

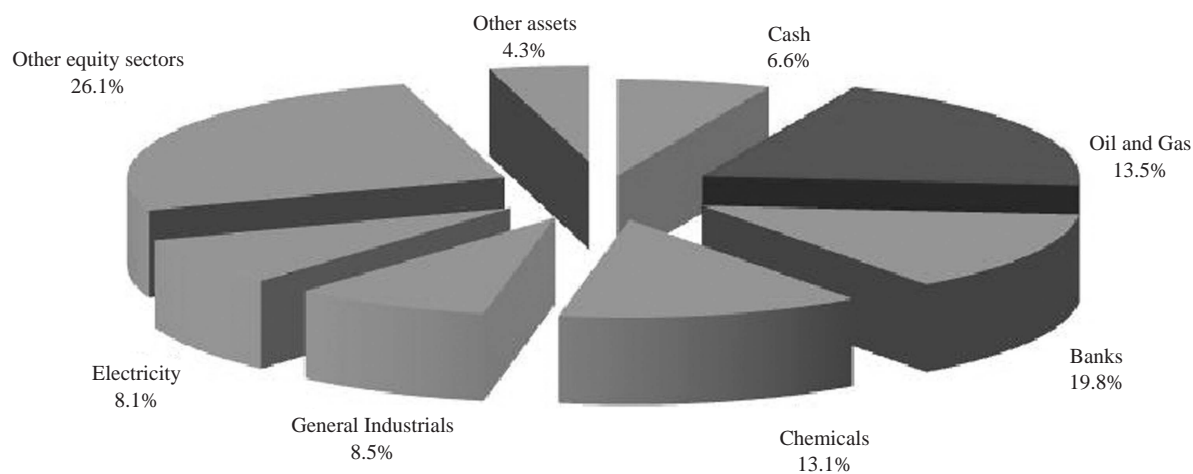


PAKISTAN PENSION FUND REPORT OF THE FUND MANAGER

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



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



Mr. Muhammad Asim, CFA
Fund Manager

Karachi: September 20, 2011

PAKISTAN PENSION FUND REPORT OF THE TRUSTEE TO THE PARTICIPANTS

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

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

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

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

Karachi: September 26, 2011

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

PAKISTAN PENSION FUND AUDITORS' REPORT TO THE PARTICIPANTS

We have audited the annexed financial statements comprising:

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

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

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

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

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

In our opinion:

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

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

Chartered Accountants

Engagement Partner

Mushtaq Ali Hirani

Dated: September 21, 2011
Karachi.

FINANCIAL STATEMENTS

PAKISTAN PENSION FUND BALANCE SHEET

AS AT JUNE 30, 2011

Note	2011				2010	
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total		
-----Rupees-----						
ASSETS						
Balances with banks	4	4,097,912	1,026,263	12,052,074	17,176,249	15,665,252
Investments - (as per Statement of Investment by category)		54,967,501	85,214,347	57,311,714	197,493,562	160,026,478
Dividend receivable		282,251	-	-	282,251	175,000
Interest receivable		11,935	1,670,293	11,203	1,693,431	1,857,138
Deposit and other receivables	5	2,329,814	5,443,119	2,880,253	10,653,186	2,542,502
Tax refundable		-	-	-	-	4,481
TOTAL ASSETS		61,689,413	93,354,022	72,255,244	227,298,679	180,270,851
LIABILITIES						
Payable against redemption of units		473,443	2,523,056	2,874,620	5,871,119	-
Payable against purchase of investments		-	-	-	-	3,872,056
Payable to Pension Fund Manager		75,533	105,956	84,334	265,823	206,058
Payable to Trustee		9,765	13,698	10,903	34,366	26,923
Annual fee payable to the Securities and Exchange Commission of Pakistan		19,082	25,266	20,532	64,880	49,883
Payable to Auditors		66,890	87,606	71,004	225,500	229,999
Accrued and other liabilities	6	44,852	88,690	52,658	186,200	77,268
TOTAL LIABILITIES		689,565	2,844,272	3,114,051	6,647,888	4,462,187
NET ASSETS		60,999,848	90,509,750	69,141,193	220,650,791	175,808,664
Participants Sub-Funds (as per statement of movement in participants sub-funds)		60,999,848	90,509,750	69,141,193		
Contingencies and commitments	7					
(-----Number of Units-----)						
Number of Units in issue	3.8	600,000	674,513	491,113		
(-----Rupees-----)						
Net Asset Value per unit		101.67	134.19	140.78		

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

PAKISTAN PENSION FUND INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

Note	2011				2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
-----Rupees-----					
INCOME					
Capital gain / (loss) on sale of investments	4,765,981	(111,841)	(1,002)	4,653,138	11,704,875
Dividend income	3,111,050	-	-	3,111,050	2,749,967
Income from government securities	-	6,822,772	7,482,034	14,304,806	9,017,204
Income from term finance certificates and sukuk bonds	-	2,355,015	-	2,355,015	812,138
Profit on deposit accounts with bank	436,002	163,596	57,625	657,223	1,092,169
Impairment loss on listed equity securities classified as "available for sale" 13	(2,166,249)	-	-	(2,166,249)	(2,148,395)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	2,703,502	3,807,612	3,590,084	10,101,198	1,064,375
Total Income	8,850,286	13,037,154	11,128,741	33,016,181	24,292,333
EXPENSES					
Remuneration of the Pension Fund Manager 9	858,712	1,137,001	923,935	2,919,648	2,244,694
Remuneration of the Trustee 10	111,644	147,809	120,105	379,558	294,329
Annual fee - Securities and Exchange Commission of Pakistan 11	19,083	25,267	20,532	64,882	49,881
Auditors' remuneration 12	91,415	119,867	96,718	308,000	319,533
Custody and settlement charges	18,194	25,568	6,000	49,762	126,219
Securities transaction cost	70,910	1,998	-	72,908	
Amortisation of formation cost	-	-	-	-	147,945
Legal and professional charges	22,099	29,129	23,601	74,829	70,001
Bank charges	119	10,386	2,014	12,519	14,736
Total Expenses	1,192,176	1,497,025	1,192,905	3,882,106	3,267,338
Net income before taxation	7,658,110	11,540,129	9,935,836	29,134,075	21,024,995
Provision for taxation - current 3.10	4,491	97,318	79,171	180,980	54,756
Net income after taxation	7,653,619	11,442,811	9,856,665	28,953,095	20,970,239
Other comprehensive income					
Unrealised gain / (loss) on revaluation of investments classified as available for sale - net 13	5,688,128	(74,888)	(4,929)	5,608,311	1,782,291
Total comprehensive income for the year	13,908,398	11,069,319	9,853,564	34,831,281	23,232,221
Earnings per unit 14	12.94	19.22	21.68		

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

PAKISTAN PENSION FUND CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	2011			Total	2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
-----Rupees-----					
CASH FLOW FROM OPERATING ACTIVITIES					
Net income before taxation	7,658,110	11,540,129	9,935,836	29,134,075	21,024,995
Adjustments for non cash items:					
Amortisation of formation cost	-	-	-	-	147,945
Capital (gain)/loss on sale of investments	(4,765,981)	111,841	1,002	(4,653,138)	(11,704,875)
Impairment loss on listed equity securities classified as "available for sale"	2,166,249	-	-	2,166,249	2,148,395
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed -net	(2,703,502)	(3,807,612)	(3,590,084)	(10,101,198)	(1,064,375)
	(5,303,234)	(3,695,771)	(3,589,082)	(12,588,087)	(10,472,910)
Decrease / (increase) in assets					
Investments - net	9,782,816	(26,960,551)	(12,194,149)	(29,371,884)	(38,989,759)
Dividend receivable	(107,251)	-	-	(107,251)	25,450
Interest receivable	21,226	129,445	13,036	163,707	(357,355)
Deposits and other receivables	(187,312)	(5,243,119)	(2,680,253)	(8,110,684)	(2,242,502)
	9,509,479	(32,074,225)	(14,861,366)	(37,426,112)	(41,564,166)
Increase / (decrease) in liabilities					
Payable against redemption of units	473,443	2,523,056	2,874,620	5,871,119	-
Payable against purchase of investments	(3,872,056)	-	-	(3,872,056)	-
Payable to Pension Fund Manager	1,310	30,547	27,908	59,765	58,266
Payable to the Trustee	67	3,845	3,531	7,443	7,379
Payable to auditors	(17,255)	5,654	7,102	(4,499)	9,999
Annual fee payable to the Securities and Exchange Commission of Pakistan	547	7,577	6,873	14,997	15,652
Accrued and other liabilities	12,341	64,282	32,309	108,932	2,391,182
	(3,401,603)	2,634,961	2,952,343	2,185,701	2,482,478
Tax paid	(3,602)	(97,318)	(75,579)	(176,499)	(12,344)
Cash generated / (used in) from operating activities	8,459,150	(21,692,224)	(5,637,848)	(18,870,922)	(28,541,947)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipt of contribution	17,630,330	34,675,947	25,690,371	77,996,648	30,522,621
Payment against withdrawal	(27,365,374)	(19,776,403)	(10,472,952)	(57,614,729)	(3,980,971)
Reallocation of units between sub-funds	(911,930)	768,849	143,081	-	-
Net cash (used in) /generated from financing activities	(10,646,974)	15,668,393	15,360,500	20,381,919	26,541,650
Net (decrease) / increase in cash and cash equivalent	(2,187,824)	(6,023,831)	9,722,652	1,510,997	(2,000,297)
Cash and cash equivalent at beginning of the year	6,285,736	7,050,094	2,329,422	15,665,252	17,665,549
Cash and cash equivalent at end of the year	4,097,912	1,026,263	12,052,074	17,176,249	15,665,252

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

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

FOR THE YEAR ENDED JUNE 30, 2011

	2011				2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	-----Rupees-----				
Net assets at beginning of the year	61,008,577	67,281,046	47,519,041	175,808,664	127,578,859
Amount received on issue of units	17,630,330	34,675,947	25,690,371	77,996,648	30,522,621
Amount paid on redemption of units	(27,365,374)	(19,776,403)	(10,472,952)	(57,614,729)	(3,980,971)
Amount (paid) / received on reallocation of units	(911,930)	768,849	143,081	-	-
	(10,646,974)	15,668,393	15,360,500	20,381,919	26,541,650
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed					
- amount representing (accrued income) / loss and realised (capital gains) / losses	(2,703,502)	(3,807,612)	(3,590,084)	(10,101,198)	(1,064,375)
- amount representing unrealised (appreciation) / diminution in fair value of investments	(566,651)	298,604	(1,828)	(269,875)	(479,691)
	(3,270,153)	(3,509,008)	(3,591,912)	(10,371,073)	(1,544,066)
Unrealised gain / (loss) on revaluation of investments classified as available for sale - net	5,688,128	(74,888)	(4,292)	5,608,311	1,782,291
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation/(diminution) - net	566,651	(298,604)	1,828	269,875	(479,691)
Net income for the year after taxation	7,653,619	11,442,811	9,856,665	28,953,095	20,970,239
Net Assets at end of the year	60,999,848	90,509,750	69,141,193	220,650,791	175,808,664

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

PAKISTAN PENSION FUND STATEMENT OF INVESTMENTS BY CATEGORY

AS AT JUNE 30, 2011

-----2011-----				2010
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

-----Rupees-----

Available for sale investments

- Listed equity securities	54,967,501	-	-	54,967,501	56,462,457
- Pakistan Investment Bonds	-	37,876,032	-	37,876,032	37,920,048
- Market Treasury Bills	-	38,839,749	57,311,714	96,151,463	47,566,661
- Term Finance Certificates and Sukuk Bonds	-	8,498,566	-	8,498,566	18,077,312
	<u>54,967,501</u>	<u>85,214,347</u>	<u>57,311,714</u>	<u>197,493,562</u>	<u>160,026,478</u>

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

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

Chief Executive

Director

PAKISTAN PENSION FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2011
AVAILABLE FOR SALE INVESTMENTS
PPF EQUITY SUB-FUND
LISTED EQUITY SECURITIES

Name of the Investee company						---Balance as at June 30, 2011---			Market value as a % of net assets of the sub fund	% of paid up capital of the investee company
	As at July 1, 2010	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Dumunation)		
	(-----Number of shares-----)					-----Rupees-----			%	%
NON LIFE INSURANCE										
I.G.I Insurance Limited	9,900	-	-	9,900	-	-	-	-	-	-
PERSONAL GOODS										
Nishat Mills Limited	58,166	7,000	-	16,080	49,086	2,768,750	2,470,989	(297,761)	4.05	0.02
Nishat Chunian Limited	-	72,000	-	-	72,000	1,335,905	1,604,881	268,976	2.63	0.10
						4,104,655	4,075,870	(28,785)	6.68	0.12
CONSTRUCTION AND MATERIALS										
Lucky Cement Limited	-	40,454	-	-	40,454	2,859,290	2,865,762	6,472	4.70	0.06
						2,859,290	2,865,762	6,472	4.70	
TOBACCO										
Pakistan Tobacco Company Limited	26,000	-	-	8,012	17,988	1,933,038	1,739,799	(193,239)	2.85	0.07
Philip Morris (Pakistan) Limited	11,553	1,200	-	12,753	-	-	-	-	-	-
						1,933,038	1,739,799	(193,239)	2.85	0.07
INDUSTRIAL METAL AND MINING										
International Industries Limited	25,433	26,000	5,086	-	56,519	3,289,437	2,797,692	(491,745)	4.59	0.28
						3,289,437	2,797,692	(491,745)	4.59	
HOUSEHOLD GOODS										
Pak Elektron Limited	128,150	91,188	-	219,338	-	-	-	-	-	-
ELECTRONIC AND EQUIPMENTS										
Pakistan Cables Limited	9,532	-	-	-	9,532	1,558,249	434,659	(1,123,590)	0.71	0.20
						1,558,249	434,659	(1,123,590)	0.71	0.20
GENERAL INDUSTRIES										
Packages Limited	24,400	5,525	-	5,522	24,403	3,922,500	2,684,331	(1,238,169)	4.40	0.18
Thal Limited	-	25,100	-	-	25,100	2,766,559	2,536,104	(230,455)	4.16	0.99
						6,689,059	5,220,435	(1,468,624)	8.56	1.17
FOOD PRODUCER										
Nestle Pakistan Limited	1,730	-	-	1,730	-	-	-	-	-	-
AUTOMOBILE AND PARTS										
Pak Suzuki Motor Company Limited	21,000	-	-	21,000	-	-	-	-	-	-
Agriauto Industries Limited	20,000	-	-	20,000	-	-	-	-	-	-
BANKS										
Allied Bank Limited	48,000	-	4,007	7,924	44,083	2,140,814	2,827,484	686,670	4.64	0.04
National Bank of Pakistan	-	35,500	-	-	35,500	1,881,002	1,789,910	(91,092)	2.93	0.01
Bank Al-Habib Limited	88,300	-	14,008	18,259	84,049	2,116,206	2,476,924	360,718	4.06	0.03
Meezan Bank Limited	130,248	-	19,537	-	149,785	1,991,902	2,616,744	624,842	4.29	0.04
Habib Metropolitan Bank Limited	122,639	-	19,268	26,296	115,611	2,330,504	2,516,851	186,347	4.13	0.03
						10,460,428	12,227,913	1,767,485	20.05	0.15

PAKISTAN PENSION FUND STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2011

Name of the Investee company						---Balance as at June 30, 2011---			Market value as a % of net assets of the sub fund	% of paid up capital of the investee company								
	As at July 1, 2010	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Dumunation)										
(-----Number of shares-----)					-----Rupees-----			%	%									
ELECTRICITY																		
The Hub Power Company Limited	75,085	16,000	-	13,340	77,745	2,602,688	2,915,438	312,750	4.78	0.02								
Kot Addu Power Company Limited	59,000	-	-	9,307	49,693	2,079,942	2,117,419	37,477	3.47	0.01								
						4,682,630	5,032,857	350,227	8.25	0.03								
OIL AND GAS PRODUCERS																		
Pakistan State Oil Company Limited	-	9,767	-	-	9,767	2,705,882	2,584,153	(121,729)	4.24	0.15								
Pakistan Oil Fields Limited	12,000	-	-	3,406	8,594	1,820,211	3,085,331	1,265,120	5.06	0.06								
Pakistan Petroleum Limited	10,076	1,833	1,838	886	12,861	1,859,657	2,663,127	803,470	4.37	0.02								
						6,385,750	8,332,611	1,946,861	13.66	0.23								
FIXED LINE TELECOMMUNICATION																		
Pakistan Telecommunication Company Limited 'A'	100,000	-	-	-	100,000	1,865,997	1,422,000	(443,997)	2.33	0.00								
						1,865,997	1,422,000	(443,997)	2.33									
CHEMICALS																		
Engro Corporation Limited	5,500	13,091	2,618	6,500	14,709	2,295,759	2,401,244	105,485	3.94	0.07								
Fauji Fertilizer Bin Qasim Limited	100,200	-	-	65,841	34,359	1,098,987	1,448,232	349,245	2.37	0.02								
Fauji Fertilizer Company Limited	11,325	-	2,831	-	14,156	1,006,283	2,128,355	1,122,072	3.49	0.03								
Sitara Chemical Industries Limited	18,933	5,000	750	3,916	20,767	2,885,994	2,072,754	(813,240)	3.40	1.02								
I.C.I. Pakistan Limited	20,500	-	-	20,500	-	-	-	-	-	-								
Engro Polymer & Chemical Limited	-	81,466	-	81,466	-	-	-	-	-	-								
Lotte Pakistan PTA Limited	-	126,520	-	126,520	-	-	-	-	-	-								
						7,287,023	8,050,585	763,562	13.20	1.14								
FROSTERY AND PAPERS																		
Century Paper & Bond Mills Limited	152,815	-	-	54,645	98,170	1,725,067	1,511,818	(213,249)	2.48	0.04								
Security Paper Limited	-	31,000	-	-	31,000	1,208,535	1,255,500	46,965	2.06	0.31								
						2,933,602	2,767,318	(166,284)	4.54	0.35								
PHARMA AND BIO TECH																		
Searl Pakistan Limited	42,000	16,840	-	58,840	-	-	-	-	-	-								
						-	-	-	-	-								
Total						54,049,158	54,967,501	918,343	90.11	3.46								
<table border="1" style="margin-left: auto;"> <thead> <tr> <th colspan="2">Total</th> </tr> <tr> <th>2011</th> <th>2010</th> </tr> <tr> <th colspan="2">-----Rupees-----</th> </tr> </thead> <tbody> <tr> <td>54,967,501</td> <td>56,462,457</td> </tr> </tbody> </table>											Total		2011	2010	-----Rupees-----		54,967,501	56,462,457
Total																		
2011	2010																	
-----Rupees-----																		
54,967,501	56,462,457																	
Market value																		

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

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

Chief Executive

16

Director

PAKISTAN PENSION FUND STATEMENT OF OTHER INVESTMENTS

AS AT JUNE 30, 2011

PPF DEBT SUB-FUND

PAKISTAN INVESTMENT BONDS AND TREASURY BILLS

Name of Investments	Face value				Balance as at June 30, 2011			Market Value % of net assets
	Opening Balance	Purchases during the year	Sales / Matured during the year	As at June 30, 2011	Cost	Market value	Appreciation/ (Diminution)	
	-----Rupees-----							%
Pakistan Investment Bonds	40,000,000	-	-	40,000,000	39,683,434	37,876,032	(1,807,402)	41.85
Treasury Bills	2,500,000	116,200,000	78,800,000	39,900,000	38,858,283	38,839,748	(18,535)	42.91
	42,500,000	116,200,000	78,800,000	79,900,000	78,541,717	76,715,780	(1,825,937)	84.76

	Total	
	2011	2010
	-----Rupees-----	
Market Value	<u>76,715,780</u>	<u>40,363,213</u>

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

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

Chief Executive

Director

PAKISTAN PENSION FUND STATEMENT OF OTHER INVESTMENTS

AS AT JUNE 30, 2011
PPF MONEY MARKET SUB-FUND
TREASURY BILLS

Name of Investments	Face value				Balance as at June 30, 2011			Market Value % of net assets
	Opening Balance	Purchases during the year	Sales / Matured during the year	As at June 30, 2011	Cost	Market value	Appreciation/ (Diminution)	
	-----Rupees-----							%
Treasury Bills	46,000,000	266,300,000	254,300,000	58,000,000	57,333,022	57,311,714	(21,308)	82.89
							Total	
							2011	2010
							-----Rupees-----	
Market Value							<u>57,311,714</u>	<u>45,123,496</u>

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

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

Chief Executive

Director

PAKISTAN PENSION FUND STATEMENT OF OTHER INVESTMENTS

AS AT JUNE 30, 2011

PPF DEBT SUB-FUND

TERM FINANCE CERTIFICATES AND SUKUK BONDS

Name of the Investee Company	Issue Date	Numbers of Certificates			As at June 30, 2011			Market value as a % of net assets of the sub-fund	Market value as % of total Investments	Percentage in relation to the size of the issue	
		As at July 1, 2010	Purchases during the year	Sales / Matured during the year	As at June 30, 2011	Cost	Market value				Appreciation/ (Diminution)
-----Rupees-----											
Term finance certificates											
Bank Alfalah Limited TFC - IV (Floating)	2-Dec-09	500	-	-	500	2,499,749	2,533,489	33,740	3.66	2.97	0.05
Engro Fertilizer Limited - TFC PRP-1	18-Mar-08	800	-	-	800	3,462,000	3,760,000	298,000	5.44	4.41	0.09
Askari Commercial Bank Limited TFC - I	4-Feb-05	175	-	-	175	862,425	875,520	13,095	1.27	1.03	0.06
Bank Al-Habib Limited TFC - III	15-Jun-09	800	-	800	-	-	-	-	-	-	-
Pakistan Mobile Communication Limited TFC - II	1-Oct-07	1,000	-	1,000	-	-	-	-	-	-	-
		3,275	-	1,800	1,475	6,824,174	7,169,009	344,835	10.37	8.41	
Sukuk bonds											
House Building Finance Company Limited	8-May-08	600	-	600	-	-	-	-	-	-	-
Pak Elektron Limited	28-Sep-07	750	-	-	750	1,149,117	1,329,557	180,440	1.92	1.56	0.11
		1,350	-	600	750	1,149,117	1,329,557	180,440	1.92	1.56	
Total		4,625	-	2,400	2,225	7,973,291	8,498,566	525,275	12.29	9.97	

Total	
2011	2010
-----Rupees-----	
8,498,566	18,077,312

Market Value

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

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

Chief Executive

Director

PAKISTAN PENSION FUND CONTRIBUTION TABLE

FOR THE YEAR ENDED JUNE 30, 2011

Contributions net of front end fee	-----2011-----							Total	Toal June 30, 2010
	PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund				
	Units	Rupees	Units	Rupees	Units	Rupees			
	-----Rupees-----								
Opening balance	739,165	61,529,289	552,919	57,956,467	373,418	38,717,274	158,203,030	131,661,380	
Individuals - issue of units	178,426	17,630,330	269,958	34,675,947	192,655	25,690,371	77,996,648	30,522,621	
- redemption of units	(308,724)	(27,365,374)	(154,108)	(19,776,403)	(75,979)	(10,472,952)	(57,614,729)	(3,980,971)	
- reallocation of units	(8,867)	(911,930)	5,744	768,849	1,019	143,081	-	-	
	(139,165)	(10,646,974)	121,594	15,668,393	117,695	15,360,500	20,381,919	26,541,650	
Closing balance	600,000	50,882,315	674,513	73,624,860	491,113	54,077,774	178,584,949	158,203,030	

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

PAKISTAN PENSION FUND STATEMENT OF NUMBER OF UNITS IN ISSUE

FOR THE YEAR ENDED JUNE 30, 2011

	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund
Total Units outstanding at beginning of the year	739,165	552,919	373,418
Add: Units issued during the year	178,426	269,958	192,655
Less: Units redeemed during the year	(308,724)	(154,108)	(75,979)
Add / (less): Units reallocated during the year	(8,867)	5,744	1,019
Total units in issue at the end of the year	600,000	674,513	491,113

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

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

Chief Executive

Director

PAKISTAN PENSION FUND FINANCIAL PERFORMANCE TABLE

FOR THE YEAR ENDED JUNE 30, 2011

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2011	June 30, 2010	% Change	June 30, 2011	June 30, 2010	% Change	June 30, 2011	June 30, 2010	% Change
	-----Rupees-----			-----Rupees-----			-----Rupees-----		
Net income after taxation	7,653,619	8,837,188	(13.39)	11,442,811	7,391,032	54.82	9,856,665	4,742,019	107.86
Realised capital gains / (losses)	4,765,981	11,659,217	(59.12)	(111,841)	45,658	(344.95)	(1,002)	-	-
Unrealised gains / (losses)	5,688,128	1,415,491	301.85	(74,888)	148,040	(150.59)	(4,929)	218,760	(102.25)
Impairment loss on available for sale investments	(2,166,249)	(2,148,395)	0.83	-	-	-	-	-	-
Dividend income / interest income	3,547,052	3,155,562	12.41	163,596	545,839	(70.03)	57,625	140,735	(59.05)
Net assets value per unit	101.67	82.54	23.17	134.19	121.68	10.28	140.78	127.25	10.64
Earnings per unit	12.94	13.08	(1.05)	19.22	16.06	19.69	21.68	14.05	54.35
Transactions in securities									
Purchases	23,687,160	59,681,808	(60.31)	258,959,672	39,097,278	562.35	114,499,048	83,476,458	37.16
Sales	33,520,960	50,166,598	(33.18)	1,990,662	16,000,000	(87.56)	51,743,102	-	100.00
Total contribution received	17,630,330	11,153,638	58.07	34,675,947	13,639,477	154.23	25,690,371	5,729,506	348.39

Highest and lowest issue price of units during the year

PPF Equity Sub Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund	
Lowest Issue price	Highest Issue price	Lowest Issue price	Highest Issue price	Lowest Issue price	Highest Issue price
-----Rupees-----					
81.35	109.12	121.65	134.19	127.33	140.78

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

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

FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan Pension Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Pension Fund Manager and Muslim Commercial Financial Services (Private) Limited (MCFSL) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 24, 2007 and was executed on June 4, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). During the year Habib Metropolitan Bank Limited has been appointed as new Trustee in place of MCFSL through a revised Trust Deed dated June 16, 2011 which was approved by SECP on July 7, 2011. PPF is an open-ended pension fund consisting of three sub-funds namely PPF Equity Sub-Fund, PPF Debt Sub-Fund and PPF Money Market Sub-Fund. Units are offered for public subscription on a continuous basis. The number of units of any sub-fund purchased out of contributions depends on the Allocation Scheme selected by the respective Participant out of the allocation schemes offered by the Pension Fund Manager.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 Adoption of new International Financial Reporting Standards

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

*Effective from accounting period
beginning on or after*

Amendments to IAS 7 - Statement of Cash Flows

January 01, 2010

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

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

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

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

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

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

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.1).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets

3.1.1 Classification

The management of the Fund classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

b) Loans and receivables

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

c) Available for sale

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

3.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.1.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.1.4 Subsequent measurement

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

a) Basis of valuation of Sukuk Certificates

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

b) Basis of valuation of Government Ijarah Sukuks

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

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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.

(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 of 2009 dated January 6, 2009. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises 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.

3.1.5 Impairment

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

For loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3.1.6 Derecognition

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

3.1.7 Offsetting of financial assets and financial liabilities

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

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3.3 Derivatives

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

3.4 Formation cost

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

3.5 Issue, allocation, reallocation and redemption of units

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

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

3.6 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed.

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

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

3.7 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the 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 per unit as disclosed on the balance sheet is calculated by dividing the net assets of a sub-fund by the number of units of the sub-funds in circulation at the year end.

3.9 Earnings per unit

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

PAKISTAN PENSION FUND

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3.10 Taxation

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

3.11 Revenue recognition

- Realised Capital gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking to market of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.
- Income from term finance certificates is recognised on time proportion basis.
- Income from government securities is accrued using the effective interest rate method.
- 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

	-----2011-----				
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	2010
	-----Rupees-----				
Current accounts	-	-	-	-	8,768
Saving accounts	4,097,912	1,026,263	12,052,074	17,176,249	15,656,484
	<u>4,097,912</u>	<u>1,026,263</u>	<u>12,052,074</u>	<u>17,176,249</u>	<u>15,665,252</u>

Savings accounts with banks carry interest at the rates ranging 5.00% to 11.75% per annum per annum (2010: 5.00% to 11.75% per annum).

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5. DEPOSIT AND OTHER RECEIVABLES

	-----2011-----			Total	2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
	-----Rupees-----				
Receivable against issuance of units	2,029,814	5,143,119	2,680,253	9,853,186	-
Security deposit - Central Depository Company of Pakistan Limited	300,000	300,000	200,000	800,000	600,000
Receivable against sale of investments	-	-	-	-	1,942,502
	<u>2,329,814</u>	<u>5,443,119</u>	<u>2,880,253</u>	<u>10,653,186</u>	<u>2,542,502</u>

6. ACCRUED AND OTHER LIABILITIES

Professional charges payable	42,514	53,536	43,950	140,000	65,172
Federal excise duty payable	-	-	-	-	1,664
Others	2,338	35,154	8,708	46,200	10,432
	<u>44,852</u>	<u>88,690</u>	<u>52,658</u>	<u>186,200</u>	<u>77,268</u>

7. CONTINGENCIES AND COMMITMENTS

7.1 CONTRIBUTION TO WORKERS WELFARE FUND

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

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

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

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

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In view of the afore mentioned developments, the Management Company believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs.1.003 million.

7.2 There were no contingencies and commitments outstanding as at June 30, 2011(2010: Nil).

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

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

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

9. REMUNERATION OF PENSION FUND MANAGER

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

10. REMUNERATION OF TRUSTEE

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

11. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

12. AUDITORS' REMUNERATION

	2011			Total	2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
	-----Rupees-----				
Audit fee	64,877	85,647	69,476	220,000	220,000
Half yearly review fee	24,126	31,109	24,765	80,000	80,000
Out-of-pocket expenses	2,412	3,111	2,477	8,000	19,533
	91,415	119,867	96,718	308,000	319,533

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

	-----2011-----				2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	-----Rupees-----				
Market value	54,967,501	85,214,346	57,311,714	197,493,561	160,026,478
Average cost	(54,049,158)	(86,515,008)	(57,333,022)	(197,897,188)	(169,506,849)
Net surplus/(deficit)	918,343	(1,300,662)	(21,308)	(403,627)	(9,480,371)
Impairment loss					
Opening	9,190,573	-	-	9,190,573	14,113,886
Charged during the year	2,166,249	-	-	2,166,249	2,148,395
Derecognized on sale of investments	(5,634,682)	-	-	(5,634,682)	(7,086,546)
	5,722,140	-	-	5,722,140	9,175,735
Net unrealised appreciation/(diminution) in the fair value of investments at the beginning of the year	952,355	(1,225,774)	(16,379)	(289,798)	(2,086,927)
Current year appreciation/(diminution)	5,688,128	(74,888)	(4,929)	5,608,311	1,782,291

13.1 As at June 30, 2011, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as 'available for sale' and has determined that an impairment loss amounting to Rs. 2.166 million for the year ended June 30, 2011 be charged to the income statement.

14. EARNINGS PER UNIT

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

	-----2011-----		
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund
Weighted average number of units	591,314	595,355	454,652
Net income after taxation	7,653,619	11,442,811	9,856,665
Earnings per unit	12.94	19.22	21.68

15. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

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15.1 Transactions during the year

	-----2011-----			Total	2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
-----Rupees-----					
Arif Habib Investments Limited - Pension Fund Manager					
Remuneration	858,712	1,137,001	923,935	2,919,648	2,244,694
Sales load	69,250	134,761	49,027	253,038	90,641
Summit Bank Limited					
Mark-up received during the year	9,139	11,301	5,100	25,540	969,043
MCB Financial Services Limited - Trustee					
Trustee fee	111,644	147,809	120,105	379,558	294,329
Directors and officers					
Issue of 97,691 units of PPF Equity sub - fund (2010: 100,807 units)	9,932,263	-	-	9,932,263	8,263,275
Issue of 145,681 units of PPF Debt sub - fund (2010: 52,541 units)	-	19,548,925	-	19,548,925	6,126,928
Issue of 133,128 units of PPF Money Market sub - fund (2010: 14,663 units)	-	-	18,741,730	18,741,730	1,787,258
Redemption of 263,765 units of PPF Equity sub - fund (2010: 43,991 units)	26,816,959	-	-	26,816,959	3,799,719
Redemption of 111,523 units of PPF Debt sub - fund (2010: 16,237 units)	-	14,965,260	-	14,965,260	1,903,778
Redemption of 63,894 units of PPF Money Market sub - fund (2010: 3,858 units)	-	-	8,994,951	8,994,951	473,997

15.2 Amounts outstanding as at year end

	-----2011-----			Total	2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
-----Rupees-----					
Arif Habib Investments Limited - Pension Fund Manager					
Remuneration payable	75,533	105,956	84,334	265,823	206,058
Investment of 300,000 units as seed capital in each sub-fund (2010: 300,000)	30,501,000	40,257,000	42,234,000	112,992,000	99,441,000
MCB Financial Services Limited - Trustee					
Trustee fee payable	9,765	13,698	10,903	34,366	26,923
Directors and officers					
Investment in PPF Equity sub - fund 128,529 units (2010: 294,602 units)	13,067,500	-	-	13,067,500	24,316,457
Investment in PPF Debt sub - fund 124,206 units (2010: 90,048 units)	-	16,667,215	-	16,667,215	10,957,049
Investment in PPF Money Market sub - fund 87,138 units (2010: 17,903 units)	-	-	12,267,229	12,267,229	2,278,217

PAKISTAN PENSION FUND

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16. FINANCIAL RISK MANAGEMENT

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

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Risk of the Fund is being managed by Pension Fund Manager in accordance with the approved policies of the Investment Committee which provides Board guidelines for management of above mentioned risks.

The Fund primary financial assets comprise of balances with banks, available for sale investments, comprising of, equity securities of listed companies, Pakistan Investment Bonds, Treasury Bills, Term Finance Certificates and Sukuks . The Fund also has dividend receivable, interest receivable, deposit and other receivables. The Fund's principal financial liabilities include remuneration payable to Pension Fund Manager, Trustee and SECP and accrued and other liabilities.

16.1 Market risk

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

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

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

16.1.1 Currency risk

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

16.1.2 Interest rate risk

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

(a) Sensitivity analysis for variable rate instruments

As at June 30, 2011, the Fund holds KIBOR based profit bearing TFCs and Sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2011, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.115 million (2010: Rs. 28.735 million).

(b) Money Market Sub-Fund holds Market Treasury Bills and Debt Sub-Fund holds Pakistan Investment Bonds and Market Treasury Bills which are classified as available for sale exposing the Sub-Funds to interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association of Pakistan on June 30, 2011, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 0.620 million (2010: Rs. 0.798 million). In case of 100 basis points decrease in rates announced by Financial Markets Association of Pakistan on June 30, 2011, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 0.620 million (2010: Rs. 0.840 million).

(c) Balances with bank in deposit account exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2011, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.0.013 million (2010: Rs.0.022 million).

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

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

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Total	PPF EQUITY SUB-FUND				PPF Debt Sub-Fund				PPF Money Market Sub-Fund			
	-----June 30, 2011-----				-----June 30, 2011-----				-----June 30, 2011-----			
	'Exposed to Yield/Interest rate risk			Note exposed to Yield/Interest rate risk	'Exposed to Yield/Interest rate risk			Note exposed to Yield/Interest rate risk	'Exposed to Yield/Interest rate risk			Note 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	17,176,249	-	-	-	4,097,912	-	-	-	1,026,263	12,052,074	-	-	-
Investments	197,493,562	-	-	-	54,967,501	31,183,483	7,656,250	46,374,614	-	57,311,714	-	-	-
Dividend receivable	282,251	-	-	-	282,251	-	-	-	-	-	-	-	-
Interest receivable	1,693,431	-	-	-	11,935	-	-	-	1,670,293	-	-	-	11,203
Deposits and other receivables	10,653,186	-	-	-	2,329,814	-	-	-	5,443,119	-	-	-	2,880,253
	227,298,679	-	-	-	61,689,413	31,183,483	7,656,250	46,374,614	8,139,675	69,363,788	-	-	2,891,456

Financial liabilities

Payable against redemption of units	5,871,119	-	-	-	473,443	-	-	-	2,523,056	-	-	-	2,874,620
Payable against purchase of investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Payable to the Pension Fund Manager	265,823	-	-	-	75,533	-	-	-	105,956	-	-	-	84,334
Payable to the Trustee	34,366	-	-	-	9,765	-	-	-	13,698	-	-	-	10,903
Payable to auditors	225,500	-	-	-	66,890	-	-	-	87,606	-	-	-	71,004
Accrued and other liabilities	186,200	-	-	-	44,852	-	-	-	88,690	-	-	-	52,658
	6,583,008	-	-	-	670,483	-	-	-	2,819,006	-	-	-	3,093,519

On-balance sheet gap	220,715,671	-	-	-	61,018,930	31,183,483	7,656,250	46,374,614	5,320,669	69,363,788	-	-	(202,063)
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Off-balance sheet financial instruments

Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-
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Total interest rate

sensitivity gap	220,715,671	-	-	-	61,018,930	31,183,483	7,656,250	46,374,614	5,320,669	69,363,788	-	-	(202,063)
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Cumulative interest rate

sensitivity gap	-	-	-	-	61,018,930	31,183,483	38,839,733	85,214,347	90,535,016	69,363,788	69,363,788	69,363,788	69,161,725
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2011.

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

Total	PPF EQUITY SUB-FUND				PPF Debt Sub-Fund				PPF Money Market Sub-Fund			
	-----June 30, 2011-----											
	'Exposed to Yield/Interest rate risk			Note exposed to Yield/Interest rate risk	'Exposed to Yield/Interest rate risk			Note exposed to Yield/Interest rate risk	'Exposed to Yield/Interest rate risk			Note 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	15,665,252	6,278,223	-	-	7,513	7,049,357	-	-	737	2,328,904	-	-	518
Investments	160,026,478	-	-	-	56,462,457	11,692,792	4,736,041	42,011,692	-	45,123,496	-	-	-
Dividend receivable	175,000	-	-	-	175,000	-	-	-	-	-	-	-	-
Interest receivable	1,857,138	-	-	-	33,161	-	-	-	1,799,738	-	-	-	24,239
Deposits and other receivables	2,542,502	-	-	-	2,142,502	-	-	-	200,000	-	-	-	200,000
	180,266,370	6,278,223	-	-	58,820,633	18,742,149	4,736,041	42,011,692	2,000,475	47,452,400	-	-	224,757

Financial liabilities

Payable against redemption of units	3,872,056	-	-	-	3,872,056	-	-	-	-	-	-	-	-
Payable against purchase of investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Payable to the Pension Fund Manager	206,058	-	-	-	74,223	-	-	-	75,409	-	-	-	56,426
Payable to the Trustee	26,923	-	-	-	9,698	-	-	-	9,853	-	-	-	7,372
Payable to auditors	229,999	-	-	-	84,145	-	-	-	81,952	-	-	-	63,902
Accrued and other liabilities	77,268	-	-	-	32,511	-	-	-	24,408	-	-	-	20,349
	4,412,304	-	-	-	200,577	-	-	-	191,622	-	-	-	148,049

On-balance sheet gap	175,854,066	6,278,223	-	-	58,620,056	18,742,149	4,736,041	42,011,692	1,808,853	47,452,400	-	-	76,708
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Off-balance sheet financial instruments

Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-
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Total interest rate

sensitivity gap	175,854,066	6,278,223	-	-	58,620,056	18,742,149	4,736,041	42,011,692	1,808,853	47,452,400	-	-	76,708
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Cumulative interest rate

sensitivity gap	-	6,278,223	6,278,223	6,278,223	64,898,279	18,742,149	23,478,190	65,489,882	67,298,735	47,452,400	69,363,300	47,452,400	47,529,108
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2011.

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

FOR THE YEAR ENDED JUNE 30, 2011

16.1.3 Price risk

The Equity Sub-Fund is exposed to equity price risk because of investment 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 limits investments in listed shares of one company to not more than 5% of its net assets. Moreover the sector limits have been restricted to 25% of the net assets of the Sub-Fund and investment in listed securities of a particular company have also been restricted to 10% of paid-up capital of investee company.

In case of 5% increase in KSE 100 index on June 30, 2011, the net assets relating to the Equity Sub-Fund and total net assets of the Fund would decrease by Rs. 2.618 million (2010: Rs. 2.249 million) as a result of gains / losses on equity securities classified as available for sale. In case of 5% decrease in KSE 100 index on June 30, 2011, the net assets relating to the Equity Sub-Fund and total net assets of the Fund would increase by Rs. 2.618 million (2010: Rs. 2.249 million) as a result of gains / losses on equity securities classified as available for sale.

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

16.2 Credit risk

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

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

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

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

	-----2011-----				
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	2010
	-----Rupees-----				
Balances with banks	4,097,912	1,026,263	12,052,074	17,176,249	15,665,252
Investments	54,967,501	85,214,347	57,311,714	197,493,562	160,026,478
Dividend receivable	282,251	-	-	282,251	175,000
Interest receivable	11,935	1,670,293	11,203	1,693,431	1,857,138
Deposits and other receivables	2,329,814	5,443,119	2,880,253	10,653,186	2,542,502
	61,689,413	93,354,022	72,255,244	227,298,679	180,266,370

PAKISTAN PENSION FUND

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

Bank balances by rating category	2011	2010
Bank Al-Habib Limited	AA+	AA+
Habib Metropolitan Bank Limited	AA+	AA+
Term Finance Certificates by rating category		
AA	44.24%	42.38%
AA-	40.12%	18.28%
A+	15.64%	39.34%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Concentration of credit risk

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

16.3 Liquidity risk

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

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

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

(Rupees)

Liabilities

Payable against redemption of units	5,871,119	473,443	-	-	2,523,056	-	-	2,874,620	-	-
Payable to the Pension Fund Manager	265,823	75,533	-	-	105,956	-	-	84,334	-	-
Payable to the Trustee	34,366	9,765	-	-	13,698	-	-	10,903	-	-
Payable to auditors	225,500	66,890	-	-	87,606	-	-	71,004	-	-
Accrued and other liabilities	186,200	44,852	-	-	88,690	-	-	52,658	-	-
6,583,008	670,483	-	-	2,819,006	-	-	3,093,519	-	-	-

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

(Rupees)

Liabilities

Payable against purchase of investments	3,872,056	3,872,056	-	-	-	-	-	-	-	-
Payable to the Pension Fund Manager	206,058	74,223	-	-	75,409	-	-	56,426	-	-
Payable to the Trustee	26,923	9,698	-	-	9,853	-	-	7,372	-	-
Payable to auditors	229,999	84,145	-	-	81,952	-	-	63,902	-	-
Accrued and other liabilities	77,268	32,511	-	-	24,408	-	-	20,349	-	-
4,412,304	4,072,633	-	-	191,622	-	-	148,049	-	-	-

16.4 Financial instruments by category

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

(Rupees)

Financial assets

Balances with banks	17,176,249	4,097,912	-	4,097,912	1,026,263	-	1,026,263	12,052,074	-	12,052,074
Investments	197,493,562	-	54,967,501	54,967,501	-	85,214,347	85,214,347	-	57,311,714	57,311,714
Dividend receivable	282,251	282,251	-	282,251	-	-	-	-	-	-
Interest receivable	1,693,431	11,935	-	11,935	1,670,293	-	1,670,293	11,203	-	11,203
Deposits and other receivables	10,653,186	2,329,814	-	2,329,814	5,443,119	-	5,443,119	2,880,253	-	2,880,253
227,298,679	6,721,912	54,967,501	61,689,413	8,139,675	85,214,347	93,354,022	14,943,530	57,311,714	72,255,244	72,255,244

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

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

Financial liabilities

Payable against redemption of units	5,871,119	-	473,443	473,443	-	2,523,056	2,523,056	-	2,874,620	2,874,620
Payable to Pension Fund Manager	265,823	-	75,533	75,533	-	105,956	105,956	-	84,334	84,334
Payable to Trustee	34,366	-	9,765	9,765	-	13,698	13,698	-	10,903	10,903
Payable to Auditors	225,500	-	66,890	66,890	-	87,606	87,606	-	71,004	71,004
Accrued and other liabilities	186,200	-	44,852	44,852	-	88,690	88,690	-	52,658	52,658
Total	6,583,008	-	670,483	670,483	-	2,819,006	2,819,006	-	3,093,519	3,093,519

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

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

Financial assets

Balances with banks	15,665,252	6,285,736	-	6,285,736	7,050,094	-	7,050,094	2,329,422	-	2,329,422
Investments	160,026,478	-	56,462,457	56,462,457	-	58,440,525	58,440,525	-	45,123,496	45,123,496
Dividend receivable	175,000	175,000	-	175,000	-	-	-	-	-	-
Profit receivable	1,857,138	33,161	-	33,161	1,799,738	-	1,799,738	24,239	-	24,239
Deposit and other receivables	2,542,502	2,142,502	-	2,142,502	200,000	-	200,000	200,000	-	200,000
Total	180,266,370	8,636,399	56,462,457	65,098,856	9,049,832	58,440,525	67,490,357	2,553,661	45,123,496	47,677,157

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

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

Financial liabilities

Payable against purchase of investments	3,872,056	-	3,872,056	3,872,056	-	-	-	-	-	-
Payable to the Pension Fund Manager	206,058	-	74,223	74,223	-	75,409	75,409	-	56,426	56,426
Payable to the Trustee	26,923	-	9,698	9,698	-	9,853	9,853	-	7,372	7,372
Payable to auditors	229,999	-	84,145	84,145	-	81,952	81,952	-	63,902	63,902
Accrued and other liabilities	77,268	-	32,511	32,511	-	24,408	24,408	-	20,349	20,349
Total	4,412,304	-	200,577	200,577	-	191,622	191,622	-	148,049	148,049

16.5 Fair value of financial assets and liabilities

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

PAKISTAN PENSION FUND

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16.5.1 Fair value hierarchy

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

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

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

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

ASSETS

Investment in securities -

Available for sale	197,493,562	54,967,501	-	-	76,715,781	8,498,566	-	57,311,714	-	-
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17. CAPITAL RISK MANAGEMENT

The Fund's capital is represented by redeemable units of the sub-funds. They are entitled to payment of a proportionate share based on the sub-fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in Participants' sub-funds. In accordance with the risk management policies stated in Note 17, the Fund endeavours 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 upto June 27, 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 shall not be tradable or transferable. Each participant has a beneficial interest in the sub-fund proportionate to the units held by such participant in such sub-fund.

18. SEGMENT INFORMATION

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

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

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

19. DATE OF AUTHORISATION FOR ISSUE

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

20. GENERAL

Figures have been rounded off to the nearest Rupee.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director