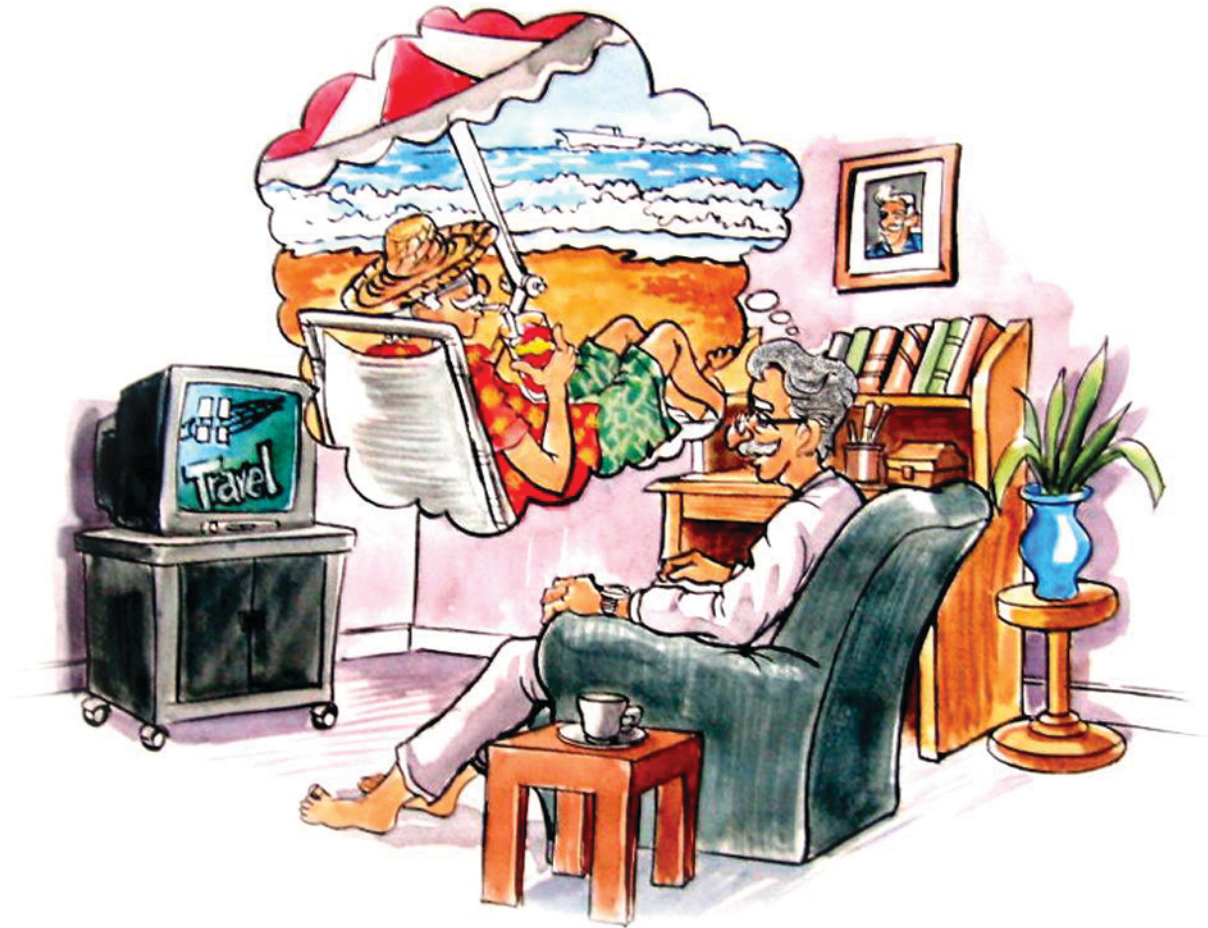




Bachat ka Doosra Naam

Annual Report 2013



Phir Aglee Rut Kee Fikar Karo

PAKISTAN

PENSION **FUND**

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

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Habib Metropolitan Bank Limited 8th Floor, HBZ Building I.I. Chundrigar Road, Karachi.	
Bankers	Habib Metropolitan Bank Limited	
Auditors	M. Yousuf Adil Saleem & Co.-Chartered Accountants Cavis Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

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

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited), the Pension Fund Manager of Pakistan Pension Fund (PPF), is pleased to present the Annual Report on the affairs of PPF for the year ended June 30, 2013.

Economy & Money Market Overview and Outlook

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equities Market Overview and Outlook

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund's Performance

The investment objective of the fund is to seek steady returns with a moderate risk for investors by investing in a portfolio of 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 55.7% while it's since inception return stands at 82.1%. Money market sub-fund generated an annualized return of 8.2% and it's since inception return stands at 11.3%. Debt sub-fund generated an annualized return of 10.1% during the year while since inception return of the fund stands at 10.6%.

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

Performance Information (%)	Equity	Debt	Money Market
Last twelve Months Return	55.7%	10.1%	8.2%
Since Inception	82.1%	10.6%	11.3%

Equity sub-fund

The net assets of the sub-fund as at June 30, 2013 stood at Rs 124.46 million as compared to Rs 74.23 million at the beginning of the year, registering an increase of 67.67%. The Net Asset Value (NAV) per unit of the sub-fund was Rs 182.15 as compared to Rs 116.84 at the beginning of the year, registering an increase of Rs. 65.31 per unit.

Debt sub-fund

The net Assets of the sub-fund as at June 30, 2013 stood at Rs 173.73 million as compared to Rs 124.59 million at the beginning of the year, registering a positive change of 39.44%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 163.83 as compared to Rs 148.83 at the beginning of the year, registering an increase of Rs 15 per unit.

Money Market sub-fund

The net Assets of the sub-fund as at June 30, 2013 stood at Rs 112.7 million as compared to Rs 87.07 million at the beginning of the year, registering a positive change of 29.44%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 168.08 as compared to Rs 155.31 at the beginning of the year, registering an increase of Rs 12.77 per unit.

Update on Workers' Welfare Fund

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

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

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

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

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

In view of the afore mentioned developments and uncertainties created by the recent decision by Honorable Sindh High Court, out of total provision of Rs. 1.367 million, Rs. 0.882 million and Rs. 0.626 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively, the Management Company as a matter of abundant precaution has charged a provision for WWF amounting to Rs. 0.199 million, Rs. 0.082 million and Rs. 0.034 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively for in these financial statements. The unrecognized liability amounts to Rs. 1.168 million, Rs. 0.801 million and Rs. 0.592 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively. However, the auditors of the Fund because of pending adjudication of the Constitutional petition in Honorable Sindh High Court, included an emphasis of matter paragraph in auditor' report highlighting the said issue.

External Auditors

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

Acknowledgement

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

For and on behalf of the board



Yasir Qadri

Chief Executive

Karachi: August 05, 2013

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

Fund Type and Category

Pakistan 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 55.7% as against KSE-100 index return of 52.2%. As of end-June 2013, around 78% exposure was in five sectors namely Commercial Banks, Construction & Materials, Oil & Gas, Chemicals and Electricity.

Sector-wise, the equity sub-fund increased its exposure within Construction and Materials from around 12% at the beginning of the year to around 16.5% by end-June 2013 due to higher expected earnings growth amid better margins. The exposure towards Oil and Gas was increased from around 17% to 29%, and exposure towards Chemical sector was increased from 2.5% to 9.7% by end-June 2013.

Money Market Sub-fund

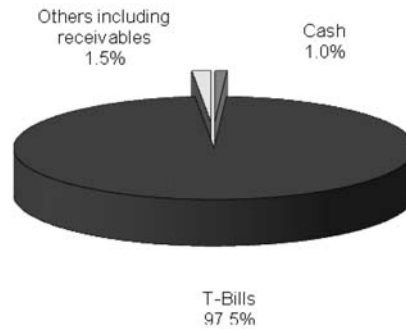
The money market sub-fund made an annualized return of 8.2% during the year. The sub-fund was invested in T-Bills almost throughout the year to the tune of over 97%. The net assets of the sub-fund increased to around Rs. 112.7 million by end-June 2013 as against Rs. 87.68 million at the beginning of the year.

Debt Sub-fund

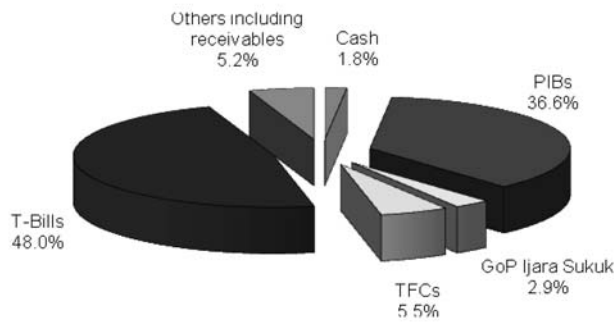
The debt sub-fund generated an annualized return of 10.1% during the year. The sub-fund was largely invested in Government papers due to its attractive risk-return profile with T-bills exposure stood at 48% while PIBs exposure remained at 36.6% as of end-June 2013. The sub-fund decreased its TFCs exposure from 6.1% at the beginning of the period to around 5.5% as of end-June 2013. The net assets of the sub-fund increased to Rs. 173.72 million as against Rs. 126.58 million at the beginning of the year.

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

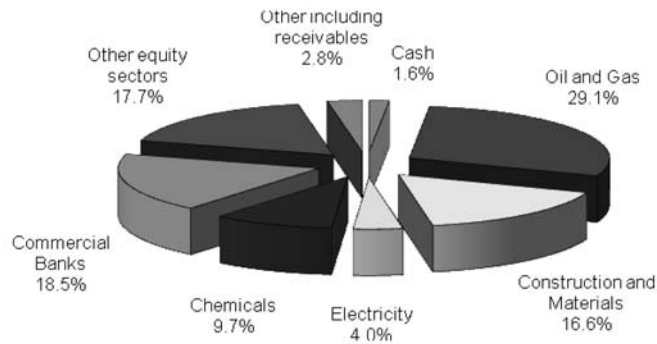
Asset Allocation (MM Sub-fund) as on June 30, 2013 (% of total assets)



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



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



Mr. Muhammad Asim, CFA
Fund Manager

Karachi: September x, 2013

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



HABIBMETRO

TRUSTEE REPORT TO THE PARTICIPANTS

PAKISTAN PENSION FUND

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

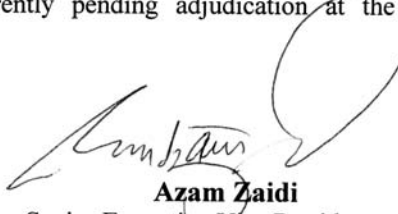
Pakistan Pension Fund was established under a Trust Deed dated June 4, 2007 executed between MCB-Arif Habib Savings & Investments Limited (formerly: Arif Habib Investments Limited), as the Pension Fund Manager and MCB Financial Services Limited (MCBFSL), as the Trustee.

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

In our opinion, the Pension Fund Manager has in all material respects managed the Fund during the year ended 30 June 2013 in accordance with the provisions of the following:

- (i) investment policy prescribed by the Commission and borrowing limitations set out in the trust deed are complied with;
- (ii) methods adopted by the Pension Fund Manager in calculating the values of units of each sub fund of the pension fund were adequate and in accordance with the provisions of the trust deed or as specified by the Commission;
- (iii) the issue, redemption and cancellation of units are carried out in accordance with the trust deed and the VPS Rules, 2005; and
- (iv) any other matter required under the trust deed of the pension fund and VPS Rules, 2005

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


Azam Zaidi
Senior Executive Vice President

Karachi: August 21, 2013

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

Trustee Division: HBZ Plaza 8th Floor, I.I. Chundrigar Road, Karachi
Tel: (92 21) 3263 3311-30 | Fax: (92 21) 3227 4768, 3263 0495
www.habibmetro.com

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

Deloitte.

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

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

We have audited the annexed financial statements comprising:

- i. Balance Sheet;
- ii. Income Statement;
- iii. Cash Flow Statement;
- iv. Statement of Movement in Participants' Sub-Funds;
- 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, 2013 together with the notes forming part thereof for the year then ended.

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

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

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, 2013 and of the transactions of the Fund for the year ended June 30, 2013 in accordance with the approved accounting standards as applicable in Pakistan;

Member of
Deloitte Touche Tohmatsu Limited

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

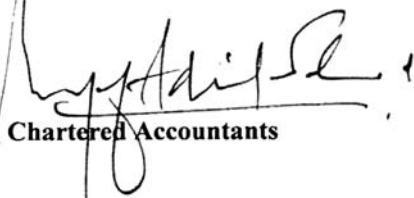
Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants

- 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 and Ushr Ordinance, 1980.

Emphasis of matter

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



Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Date: August 05, 2013

Member of
Deloitte Touche Tohmatsu Limited

FINANCIAL STATEMENTS

BALANCE SHEET AS AT JUNE 30, 2013

		2013				2012
Note	PPF Equity Sub-Fund	PPF Debt Sub- Fund	PPF Money Market Sub-Fund	Total		
----- Rupees -----						
ASSETS						
	Balances with banks	2,142,728	3,055,851	1,109,440	6,308,019	5,888,838
4	Investments (as per Statement of Investments by Category)	126,725,816	162,201,172	110,264,122	399,191,110	254,286,300
	Dividend receivable	907,040	-	-	907,040	661,029
	Profit receivable	14,285	3,109,107	26,852	3,150,244	1,885,422
5	Deposits and other receivables	2,706,097	5,986,185	1,695,851	10,388,133	25,783,699
	Total assets	132,495,966	174,352,315	113,096,265	419,944,546	288,505,288
LIABILITIES						
	Payable to Pension Fund Manager	205,152	255,006	168,875	629,033	357,717
	Payable to Habib Metropolitan Bank Limited - Trustee	18,941	23,539	15,590	58,070	39,464
	Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	31,605	46,076	31,791	109,472	73,591
6	Accrued expenses and other liabilities	7,783,034	302,812	177,620	8,263,466	2,144,779
	Total liabilities	8,038,732	627,433	393,876	9,060,041	2,615,551
	NET ASSETS	<u>124,457,234</u>	<u>173,724,882</u>	<u>112,702,389</u>	<u>410,884,505</u>	<u>285,889,737</u>
	Participants Sub-Funds (as per Statement of Movement in Participants' sub-funds)	<u>124,457,234</u>	<u>173,724,882</u>	<u>112,702,389</u>		
	Contingencies and commitments					
	----- Number of units -----					
	NUMBER OF UNITS IN ISSUE	<u>683,253</u>	<u>1,060,373</u>	<u>670,540</u>		
	----- Rupees -----					
	NET ASSET VALUE PER UNIT	<u>182.15</u>	<u>163.83</u>	<u>168.08</u>		

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



Chief Executive Officer

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



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013			2012	
		PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		Total
INCOME						
Rupees						
Capital gain on sale of investments		18,774,605	2,303,880	22,388	21,100,873	10,075,020
Dividend income		6,796,283	-	-	6,796,283	3,714,567
Income from Government Securities		-	12,168,130	9,202,891	21,371,021	16,932,131
Income from Term Finance Certificates and sukuk bonds		-	1,615,356	-	1,615,356	1,278,709
Profit on bank and other deposits		377,991	370,320	201,281	949,592	757,063
Unrealised gain on revaluation of investments at fair value through profit or loss' - net		15,235,200	643,306	62,100	15,940,606	224,158
Reversal of impairment loss / (Impairment loss) on listed equity securities classified as 'available for sale'	14	1,253,225	-	-	1,253,225	(2,229,682)
Total income		42,437,304	17,100,992	9,488,660	69,026,956	30,751,966
EXPENSES						
Remuneration of Pension Fund Manager	9	1,422,275	2,073,680	1,430,812	4,926,767	3,308,107
Sales tax and Federal Excise Duty on remuneration of - Pension Fund Manager	10	245,517	354,115	243,691	843,323	529,297
Remuneration of Habib Metropolitan Bank Limited- Trustee	11	172,878	252,341	174,143	599,362	426,670
Annual fee - Securities and Exchange Commission of Pakistan (SECP)	12	31,605	46,076	31,791	109,472	73,591
Auditors' remuneration	13	114,542	168,677	116,542	399,761	363,703
Custody and settlement charges		239,750	203,470	-	443,220	288,568
Securities transaction cost		745,474	14,074	975	760,523	340,509
Legal and professional charges		20,116	29,507	20,379	70,002	70,077
Provision against debt securities	14.2	-	1,144,337	-	1,144,337	366,270
Bank charges		679	11,495	6,489	18,663	21,313
Total Expenses		2,992,836	4,297,772	2,024,822	9,315,430	5,788,105
Net Income from operating activities		39,444,468	12,803,220	7,463,838	59,711,526	24,963,861
Element of income and capital gains included in prices of units issued less those redeemed		2,715,795	2,527,029	1,012,680	6,255,504	4,324,680
Provision for Workers' Welfare Fund	6.1	(198,646)	(81,572)	(33,632)	(313,850)	-
		<u>2,517,149</u>	<u>2,445,457</u>	<u>979,048</u>	<u>5,941,654</u>	<u>4,324,680</u>
Net income for the year before taxation		41,961,617	15,248,677	8,442,886	65,653,180	29,288,541
Taxation	3.9	-	-	-	-	-
Net income for the year after taxation		41,961,617	15,248,677	8,442,886	65,653,180	29,288,541
Other comprehensive income						
Unrealised gain on revaluation of investments classified as 'available for sale' - net	14	2,376,509	372,046	-	2,748,555	440,727
Total comprehensive income for the year		44,338,126	15,620,723	8,442,886	68,401,735	29,729,268
Earnings per unit	15	<u>66.45</u>	<u>17.32</u>	<u>14.34</u>		

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



Chief Executive Officer

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



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	2013				2012
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	Rupees				
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net income before taxation	41,961,617	15,248,677	8,442,886	65,653,180	29,288,541
Adjustments for non cash charges and other items:					
Capital gain on sale of investments	(18,774,605)	(2,303,880)	(22,388)	(21,100,873)	(10,075,020)
Unrealised gain on revaluation of investments at fair value through profit or loss' - net	(15,235,200)	(643,306)	(62,100)	(15,940,606)	(224,158)
Reversal of impairment loss / (Impairment loss) on listed equity securities classified as 'available for sale'	(1,253,225)	-	-	(1,253,225)	2,229,682
Element of income and capital gains included in prices of units issued less those redeemed	(2,715,795)	(2,527,029)	(1,012,680)	(6,255,504)	(4,324,680)
	(37,978,825)	(5,474,215)	(1,097,168)	(44,550,208)	(12,394,176)
(Increase) / decrease in assets					
Investments - net	(25,693,364)	(48,480,889)	(29,687,298)	(103,861,551)	(48,282,515)
Dividend receivable	(246,011)	-	-	(246,011)	(378,778)
Profit receivable	(2,368)	(1,248,389)	(14,065)	(1,264,822)	(191,991)
Deposits and other receivables	4,859,088	5,707,014	4,829,464	15,395,566	(15,130,513)
	(21,082,655)	(44,022,264)	(24,871,899)	(89,976,818)	(63,983,797)
Increase / (decrease) in liabilities					
Payable to Pension Fund Manager	108,503	103,693	59,120	271,316	91,894
Payable to the Trustee	8,278	6,846	3,482	18,606	5,098
Annual fee - Securities and Exchange Commission of Pakistan (SECP)	11,867	15,564	8,450	35,881	8,711
Accrued and other liabilities	6,446,386	(177,926)	(149,773)	6,118,687	(4,138,040)
	6,575,034	(51,823)	(78,721)	6,444,490	(4,032,337)
Net cash used in operating activities	(10,524,829)	(34,299,625)	(17,604,902)	(62,429,356)	(51,121,769)
B. CASH FLOW FROM FINANCING ACTIVITIES					
Receipt of contribution	21,233,162	46,299,501	27,968,034	95,500,697	75,184,765
Payment against withdrawal	(5,083,085)	(15,699,927)	(11,869,148)	(32,652,160)	(35,350,407)
Reallocation of units between sub-funds	(7,542,020)	5,440,472	2,101,548	-	-
Net cash generated from financing activities	8,608,057	36,040,046	18,200,434	62,848,537	39,834,359
Net (decrease) / increase in cash and cash equivalent during the year	(A+B) (1,916,772)	1,740,421	595,532	419,181	(11,287,411)
Cash and cash equivalents at beginning of the year	4,059,500	1,315,430	513,908	5,888,838	17,176,249
Cash and cash equivalents at end of the year	2,142,728	3,055,851	1,109,440	6,308,019	5,888,838

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

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


Chief Executive Officer


Director

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

	2013				2012
	PPF Equity Sub-Fund	PPF Debt Sub- Fund	PPF Money Market Sub-Fund	Total	
	Rupees				
Net assets at beginning of the year	74,226,846	124,591,142	87,071,749	285,889,737	220,650,791
Amount received on issue of units	21,233,162	46,299,501	27,968,034	95,500,697	75,184,765
Amount paid on redemption of units	(5,083,085)	(15,699,927)	(11,869,148)	(32,652,160)	(35,350,407)
Amount (paid) / received on reallocation of units	(7,542,020)	5,440,472	2,101,548	-	-
	8,608,057	36,040,046	18,200,434	62,848,537	39,834,359
Element of income and capital gains included in prices of units issued less those in units redeemed					
- amount representing accrued income and realised capital gains	(2,715,795)	(2,527,029)	(1,012,680)	(6,255,504)	(4,324,680)
- amount representing unrealised appreciation in fair value of investments	(1,490,737)	(11,034,722)	(6,094,456)	(18,619,915)	(9,097,148)
	(4,206,532)	(13,561,751)	(7,107,136)	(24,875,419)	(13,421,828)
Unrealised gain on revaluation of investment classified as available for sale	2,376,509	372,046	-	2,748,555	440,727
Element of income and capital gains included in prices of units issued less those redeemed redeemed - amount representing unrealised appreciation	1,490,737	11,034,722	6,094,456	18,619,915	9,097,148
Net income for the year after taxation	41,961,617	15,248,677	8,442,886	65,653,180	29,288,541
Net Assets at end of the year	<u>124,457,234</u>	<u>173,724,882</u>	<u>112,702,389</u>	<u>410,884,505</u>	<u>285,889,737</u>

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



Chief Executive Officer

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



Director

**STATEMENT OF INVESTMENTS BY CATEGORY
AS AT JUNE 30, 2013**

2013				2012
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

Rupees

Investments 'at fair value through profit or loss'

- Listed equity securities	111,486,104	-	-	111,486,104	43,576,371
- Pakistan Investment Bonds	-	53,463,941	-	53,463,941	931,282
- Market Treasury Bills	-	83,654,884	110,264,122	193,919,006	98,728,046
- Term Finance Certificates	-	6,954,500	-	6,954,500	7,000,000
	111,486,104	144,073,325	110,264,122	365,823,551	150,235,699

'Available for sale investments'

- Listed equity securities	15,239,713	-	-	15,239,713	19,816,542
- Pakistan Investment Bonds	-	10,491,630	-	10,491,630	39,635,741
- Market Treasury Bills	-	-	-	-	31,159,568
- Term Finance Certificates and Sukuk Bonds	-	2,624,217	-	2,624,217	8,436,250
- Government Ijarah Sukuks	-	5,012,000	-	5,012,000	5,002,500
	15,239,713	18,127,847	-	33,367,560	104,050,601

Investments at market value

	126,725,816	162,201,172	110,264,122	399,191,110	254,286,300
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The annexed notes 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

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



Director

STATEMENT OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2013

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

Name of the Investee Company	Number of shares				Balance as at June 30, 2013			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company	
	As at July 01, 2012	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2013	Cost	Market value			Appreciation/ (Diminution)
						----- Rupees -----			%	%
OIL AND GAS PRODUCERS										
Attock Petroleum Limited	2,250	9,900	-	1,700	10,450	5,201,744	5,863,704	661,960	4.71	0.0151
National Refinery Limited	-	20,400	-	20,400	-	-	-	-	-	-
Oil & Gas Development Company Limited	7,260	42,900	-	25,200	24,960	4,782,452	5,709,600	927,148	4.59	0.0006
Pakistan Oilfields Limited	4,240	9,000	-	-	13,240	5,659,695	6,585,179	925,484	5.29	0.0056
Pakistan Petroleum Limited	5,900	24,500	2,100	-	32,500	5,494,728	6,876,350	1,381,622	5.53	0.0020
Pakistan State Oil Company Limited	847	41,300	4,149	24,296	22,000	4,566,837	7,048,360	2,481,523	5.66	0.0107
Shell Pakistan Limited	-	18,000	-	7,600	10,400	1,442,141	1,488,968	46,827	1.20	0.0121
						27,147,597	33,572,161	6,424,564	26.97	
CHEMICALS										
Clariant Pakistan Limited	-	12,100	-	12,100	-	-	-	-	-	-
Dawood Hercules Limited	-	19,000	-	1,000	18,000	990,568	829,980	(160,588)	0.67	0.0037
Engro Corporation Limited	18,500	87,500	-	95,000	11,000	1,352,295	1,340,570	(11,725)	1.08	0.0022
Fauji Fertilizer Bin Qasim Limited	-	422,000	-	290,000	132,000	5,298,585	4,955,280	(343,305)	3.98	0.0141
Fauji Fertilizer Company Limited	30,000	109,400	-	123,000	16,400	1,820,308	1,761,852	(58,456)	1.42	0.0013
L.C.I. Pakistan Limited	-	27,200	-	27,200	-	-	-	-	-	-
Sitara Chemical Industries Limited	-	20,000	-	-	20,000	4,143,720	3,997,800	(145,920)	3.21	0.0933
						13,605,476	12,885,482	(719,994)	10.35	
FORESTRY AND PAPER										
Century Paper & Board Mills Limited	-	500	-	500	-	-	-	-	-	-
Pakistan Paper Products Limited	11,395	-	2,279	7,000	6,674	269,630	292,922	23,292	0.24	0.1112
						269,630	292,922	23,292	0.24	
CONSTRUCTION AND MATERIALS										
Attock Cement Pakistan Limited	28,000	-	2,250	30,250	-	-	-	-	-	-
Cherat Cement Company Limited	135,000	77,000	-	135,000	77,000	3,726,750	4,480,630	753,880	3.60	0.0806
Fauji Cement Company Limited	-	865,000	-	698,000	167,000	1,282,658	2,219,430	936,772	1.78	0.0125
Fecto Cement limited	-	62,500	-	-	62,500	2,226,640	3,000,625	773,985	2.41	0.1246
Kohat Cement Limited	28,000	157,000	-	104,604	80,396	6,585,934	6,900,389	314,455	5.54	0.0624
Lafarge Pakistan Cement Limited	250,000	-	-	250,000	-	-	-	-	-	-
Lucky Cement Limited	2,931	7,700	-	-	10,631	1,352,173	2,229,533	877,360	1.79	0.0033
						15,174,155	18,830,607	3,656,452	15	
GENERAL INDUSTRIALS										
Ghani Glass Limited	-	1,500	150	1,650	-	-	-	-	-	-
Packages Limited	-	18,000	-	18,000	-	-	-	-	-	-
Thal Limited	24,000	-	2,102	26,102	-	-	-	-	-	-
Tri-Pack Films Limited	-	6,500	-	6,500	-	-	-	-	-	-
						-	-	-	-	
INDUSTRIAL ENGINEERING										
Al-Ghazi Tractors Limited	-	4,000	-	4,000	-	-	-	-	-	-
Millat Tractors Limited	6,710	2,550	-	9,260	-	-	-	-	-	-
						-	-	-	-	
AUTOMOBILE AND PARTS										
Exide Pakistan Limited	18,384	-	-	18,384	-	-	-	-	-	-
Pak Suzuki Motor Co. Limited	-	26,000	-	-	26,000	2,987,995	3,866,720	878,725	3.11	0.0316
						2,987,995	3,866,720	878,725	3.11	

STATEMENT OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2013

Name of the Investee Company	Number of shares					Balance as at June 30, 2013			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company
	As at July 01, 2012	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2013	Cost	Market value	Appreciation/ (Diminution)		
						Rupees			%	%
FOOD PRODUCERS										
Engro Foods Limited	-	27,500	-	10,000	17,500	1,854,990	2,463,475	608,485	1.98	0.0023
National Foods Limited	-	3,000	-	3,000	-	-	-	-	-	-
Uni Lever Pakistan Limited	-	440	-	440	-	-	-	-	-	-
						1,854,990	2,463,475	608,485	1.98	
PERSONAL GOODS										
Bata Pakistan Limited	-	300	-	-	300	383,000	536,700	153,700	0.43	0.0040
Ellcot Spinning Mills Limited	-	20,000	-	-	20,000	767,490	1,297,800	530,310	1.04	0.1826
Faisal Spinning Mills Limited	-	17,500	-	2,000	15,500	885,714	1,546,900	661,186	1.24	0.1550
Gadoon Textile Limited	-	10,000	-	10,000	-	-	-	-	-	-
Suraj Cotton Mills limited	-	10,000	-	10,000	-	-	-	-	-	-
						2,036,204	3,381,400	1,345,196	3	
TOBACCO										
Pakistan Tobacco Company Limited	-	45,000	-	30,000	15,000	1,166,733	2,355,000	1,188,267	1.89	0.0059
HEALTH CARE EQUIPMENT AND SERVICES										
Shifa International Hospitals Limited	-	44,500	-	-	44,500	2,002,500	1,958,000	(44,500)	1.57	0.2247
PHARMA AND BIO TECH										
Abbott Laboratories Pakistan limited	27,500	-	-	27,500	-	-	-	-	-	-
Ferozsons Laboratories Limited	-	35,500	550	24,500	11,550	1,009,829	1,282,281	272,452	1.03	0.0383
GlaxoSmithKline Limited	42,000	5,500	-	47,500	-	-	-	-	-	-
						1,009,829	1,282,281	272,452	1.03	
MEDIA										
Hum Network Limited	50,000	22,000	-	50,500	21,500	471,134	817,000	345,866	0.66	0.0430
FIXED LINE TELECOMMUNICATION										
Pakistan Telecommunication Company Limited	-	213,000	-	185,000	28,000	588,000	621,320	33,320	0.50	0.0007
Wateen Telecom Limited	185,000	42,000	-	227,000	-	-	-	-	-	-
						588,000	621,320	33,320	0.50	
ELECTRICITY										
Hub Power Company Limited	41,600	20,250	-	-	61,850	2,786,192	3,813,053	1,026,861	3.06	0.0053
Kot Addu Power Company Limited	-	92,000	-	92,000	-	-	-	-	-	-
						2,786,192	3,813,053	1,026,861	3.06	
BANKS										
Askari Bank Limited	-	271,000	-	271,000	-	-	-	-	-	-
Bank Al-Falah Limited	196,000	413,500	-	196,000	413,500	7,159,115	7,533,970	374,855	6.05	0.0306
Bank Al-Habib Limited	17,850	193,500	-	-	211,350	6,328,450	5,746,607	(581,844)	4.62	0.0209
BankIslami Pakistan Limited	-	500,000	-	165,000	335,000	2,615,713	2,180,850	(434,863)	1.75	0.0635
JS Bank Limited	-	111,500	-	111,500	-	-	-	-	-	-
Meezan Bank Limited	6,500	45,000	5,665	-	57,165	1,492,980	1,657,785	164,805	1.33	0.0063
National Bank Of Pakistan	-	72,500	7,425	72,500	7,425	290,826	305,316	14,490	0.25	0.0004
Soneri Bank Limited	-	125,500	-	-	125,500	960,075	941,250	(18,825)	0.76	0.0125
United Bank Limited	26,700	60,000	-	53,000	33,700	3,326,628	3,625,446	298,818	2.91	0.0028
						22,173,787	21,991,224	(182,564)	17.67	
NON LIFE INSURANCE										
Pakistan Reinsurance Company Limited	-	292,000	-	150,000	142,000	2,976,681	3,355,460	378,779	2.70	0.0473
Total						96,250,903	111,486,104	15,235,201	90	
									Total	
									2013	2012
									Rupees	
Market value									111,486,104	43,576,371

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

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


Chief Executive Officer


Director

STATEMENT OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2013

**'AVAILABLE FOR SALE' INVESTMENTS
PPF EQUITY SUB-FUND
LISTED EQUITY SECURITIES**

Name of the Investee Company	----- Number of shares -----					Balance as at June 30, 2013			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company
	As at July 01, 2012	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2013	Cost	Market value	Appreciation		
						----- Rupees -----			%	%
OIL AND GAS PRODUCERS										
Attock Petroleum Limited	3,846	-	-	3,500	346	134,365	194,148	59,783	0.16	0.0005
Pakistan Oilfields Limited	4,654	-	-	300	4,354	922,178	2,165,549	1,243,371	1.74	0.0018
Pakistan Petroleum Limited	11,949	-	2,487	2,000	12,436	1,406,990	2,631,209	1,224,219	2.11	0.0008
						<u>2,463,533</u>	<u>4,990,905</u>	<u>2,527,372</u>	4.01	
CHEMICALS										
Fauji Fertilizer Company Limited	28	-	-	28	-	-	-	-	-	-
FORESTRY AND PAPER										
Security Papers Limited	45,760	-	-	-	45,760	1,740,820	3,065,462	1,324,643	2.46	0.1112
CONSTRUCTION AND MATERIALS										
Lucky Cement Limited	22,054	-	-	7,100	14,954	1,056,949	3,136,153	2,079,204	2.52	0.0046
GENERAL INDUSTRIALS										
Thal Limited	10,020	-	-	10,020	-	-	-	-	-	-
ELECTRONIC AND ELECTRICAL EQUIPMENT										
Pakistan Cables Limited	9,532	-	-	9,532	-	-	-	-	-	-
ELECTRICITY										
Hub Power Company Limited	50,145	-	-	26,000	24,145	877,254	1,488,539	611,285	1.20	0.0021
BANKS										
Bank Al-Habib Limited	103,556	-	-	67,000	36,556	830,276	993,958	163,682	0.80	0.0036
Meezan Bank Limited	64,825	-	7,130	18,000	53,955	603,911	1,564,695	960,784	1.26	0.0060
United Bank Limited	16,000	-	-	16,000	-	-	-	-	-	-
						<u>1,434,187</u>	<u>2,558,653</u>	<u>1,124,466</u>	2.06	
Total						<u>7,572,742</u>	<u>15,239,713</u>	<u>7,666,970</u>	12	
									----- Total -----	
									2013	2012
									----- Rupees -----	
Market value									<u>15,239,713</u>	<u>19,816,542</u>

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

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



Chief Executive Officer



Director

**STATEMENT OF OTHER INVESTMENTS
AS AT 30 JUNE 2013**

**PPF DEBT SUB-FUND
AT FAIR VALUE THROUGH PROFIT AND LOSS'**

Name of investment	Face value				Balance as at June 30, 2013			Market value as % of net assets of sub Funds	Market value as a % of total investments	Percentage in relation to the total size of the issue
	As at July 01, 2012	Purchases during the year	Sales / matured during the year	As at June 30, 2013	Cost	Market value	Appreciation			

----- Rupees -----

Government Securities

Pakistan Investment Bonds	1,000,000	325,000,000	275,000,000	51,000,000	52,821,227	53,463,941	642,714	30.78	NA	NA
Market Treasury Bills	18,550,000	583,300,000	514,450,000	87,400,000	83,608,735	83,654,884	46,149	48.15	NA	NA
	19,550,000	908,300,000	789,450,000	138,400,000	136,429,962	137,118,825	688,863			

Term Finance Certificate

Standard Chartered Bank (Pakistan) Limited - TFC (May 18, 2012)	1,400	-	-	1,400	7,000,000	6,954,500	(45,500)	4	4.29	0.28
	1,400			1,400	7,000,000	6,954,500	(45,500)	4	4.3	

Market value of government securities
Market value of TFC

----- Total -----	
2013	2012
----- Rupees -----	
137,118,825	19,166,992
6,954,500	7,000,000
<u>144,073,325</u>	<u>26,166,992</u>

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



Chief Executive Officer

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



Director

**STATEMENT OF OTHER INVESTMENTS
AS AT 30 JUNE 2013**

**PPF MONEY MARKET SUB-FUND
AT FAIR VALUE THROUGH PROFIT AND LOSS'**

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

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

'At fair value through profit or loss'

Market Treasury Bills	81,300,000	758,700,000	727,750,000	112,250,000	110,202,021	110,264,122	62,101	97.84
	81,300,000	758,700,000	727,750,000	112,250,000	110,202,021	110,264,122	62,101	97.84

----- Total -----
2013 2012
----- Rupees -----

Market value 110,264,122 80,492,336

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



Chief Executive Officer

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



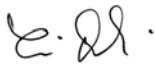
Director

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

Contributions net of front end fee	June 30, 2013							
	PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund		Total (Rupees)	Total June 30, 2012 (Rupees)
	Units	Rupees	Units	Rupees	Units	Rupees		
Opening balance	635,304	55,207,346	837,126	98,120,794	560,625	65,091,168	218,419,308	178,584,949
Individuals - issue of units	121,458	21,233,162	288,666	46,299,501	155,593	27,968,034	95,500,697	75,184,765
- redemption of units	(32,693)	(5,083,085)	(100,731)	(15,699,927)	(55,177)	(11,869,148)	(32,652,160)	(35,350,407)
- reallocation of units	(40,816)	(7,542,020)	35,312	5,440,472	9,499	2,101,548	-	-
	47,949	8,608,057	223,247	36,040,046	109,915	18,200,434	62,848,537	39,834,359
Closing balance	683,253	63,815,403	1,060,373	134,160,840	670,540	83,291,602	281,267,845	218,419,308

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

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



Chief Executive Officer



Director

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

	PPF Equity Sub-Fund	PPF Debt Sub- Fund	PPF Money Market Sub-Fund
	----- Number of units -----		
Total Units outstanding at beginning of the year	635,304	837,126	560,625
Add: Units issued during the year	121,458	288,666	155,593
Less: Units redeemed during the year	(32,693)	(100,731)	(55,177)
(Less) / Add: Units reallocated during the year	(40,816)	35,312	9,499
Total units in issue at the end of the year	<u>683,253</u>	<u>1,060,373</u>	<u>670,540</u>

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



Chief Executive Officer

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



Director

FINANCIAL PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2013

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2013	June 30, 2012	% Change	June 30, 2013	June 30, 2012	% Change	June 30, 2013	June 30, 2012	% Change
	-----Rupees-----			-----Rupees-----		-----Rupees-----			
Net income after taxation	41,961,617	10,947,835	283	15,248,677	10,126,610	51	8,442,886	8,214,096	3
Realised capital gains	18,774,605	10,032,503	87	2,303,880	37,577	6,031	22,388	4,940	353
Unrealised gains / (losses)	17,611,709	(1,126,620)	(1,663)	1,015,352	1,783,226	(43)	62,100	8,279	650
Reversal / (Impairment loss) on available for sale investments	1,253,225	(2,229,682)	(156)	-	-	-	-	-	-
Dividend income / interest income	7,174,274	3,984,433	80	14,153,806	10,273,900	38	9,404,172	8,424,137	12
Net assets value per unit	182.15	116.84	56	163.83	148.83	10	168.08	155.31	8
Earnings per unit	66.45	19.31	244	17.32	15.76	10	14.34	17.43	(18)
Transactions in securities									
Purchases	194,247,219	100,000,457	94	875,896,414	202,225,391	333	741,259,497	339,444,305	118
Sales*	168,553,856	98,246,082	72	670,791,419	182,882,675	267	224,774,772	324,456,635	(31)
Total contribution received	21,233,162	13,942,476	52	46,299,501	39,720,569	17	27,968,034	21,521,720	30

* This includes maturity of Rs. 133 million T-bills in debt sub-fund and that of Rs.496 million T-bills in money market sub-fund.

Lowest and Highest 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-----					
116.84	168.08	148.97	164.01	155.31	164.01

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


Chief Executive Officer

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


Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 The Pakistan Pension Fund (the Fund) was established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Ltd) 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). Habib Metropolitan Bank Limited was appointed as the new Trustee in place of MCFSL through a revised Trust Deed dated June 16, 2011 which was approved by SECP on July 7, 2011. 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.

1.2 Based on shareholders' resolutions of MCB-AMC and AHIL the two companies have merged as of June 27, 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHIL being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank.. Subsequent to the completion of merger on June 27, 2011 the SECP extended the effective date of merger to July 30, 2011 through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011 under section 484(2) of the Companies Ordinance 1984. However, recently on request of Management Company the SECP reviewed its aforementioned order and through a letter no. SCD/AMCW/Mis/540/2013 dated May 17, 2013 issued revised order under section 484(2) of the Companies Ordinance 1984 to affirm the effective date of merger of MCB-AMC with AHIL as June 27, 2011. The latest order also endorsed the steps/actions taken by Management Company from June 27, 2011 to date.

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

1.3 MCB-Arif Habib Saving and Investments Limited (Formerly: Arif Habib Investment Limited) has been licensed to act as a Pension Fund Manager under VPS Rules through a certificate of registration issued by the SECP. The registered office of the Pension fund Manager is situated at Technocity Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of Voluntary Pension System Rules, 2005 and International Accounting Standards (IAS)39: 'Financial Instruments: Recognition and Measurement'.

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

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

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

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

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

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

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).

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 Financial assets

3.1.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available for sale

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

3.1.2 Regular way contracts

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

3.1.3 Initial recognition and measurement

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

3.1.4 Subsequent measurement

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

a) Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan, except for Government of Pakistan Ijarah Sukuks, which are valued on the basis of broker average rates announced by Reuters.

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

b) **Basis of valuation of equity securities**

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

c) **Basis of valuation of debt securities**

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

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

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

Loans and receivables are carried at amortised cost.

3.1.5 **Impairment**

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

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

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

3.1.6 **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired 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.

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

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.

3.3 Derivatives

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

3.4 Formation cost

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

3.5 Issue, allocation, reallocation and redemption of units

Contribution received from a participant is allocated to the sub-funds on the basis of the allocation scheme selected by the Participant out of the allocation schemes offered by the Pension Fund Manager. Units issued in respect of a sub-fund are recorded at the offer price of that sub-fund, determined by the Pension Fund Manager for the applications received by the distributors during business hours on that 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 unrealized gains / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized in the Income Statement

3.7 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

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

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, 2013 in respect of each sub-fund, has been calculated by dividing the net income after taxation of a sub-fund by weighted average number of units of the sub-fund in circulation during the year.

3.10 Taxation

The income of Pakistan Islamic Pension Fund is exempt from tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Despite the exemption available under the said clause, minimum tax at the rate of 1% of turnover was chargeable under section 113 of the Income Tax Ordinance, 2001. Through Finance Act, 2011, effective from July 01, 2011, pension funds are included in the list of entities on which the provisions of section 113 regarding minimum tax shall not apply.

3.11 Revenue recognition

- Realised capital gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the period in which they arise.
- 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.

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

4. BALANCES WITH BANKS

	June 30, 2013				June 30, 2012
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- Rupees -----					
Savings accounts	2,142,728	3,055,851	1,109,440	6,308,019	5,888,838
	2,142,728	3,055,851	1,109,440	6,308,019	5,888,838

Savings accounts with banks carry interest at the rate of 8% per annum (2012: 8% per annum).

5. DEPOSITS AND OTHER RECEIVABLES

	June 30, 2013				June 30, 2012
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- Rupees -----					
Receivable against issuance of units	-	-	-	-	22,034,867
Security deposit - Central Depository Company of Pakistan Limited	200,000	200,000	100,000	500,000	500,000
Security deposit - National Clearing Company of Pakistan Limited	2,500,000	-	-	2,500,000	2,500,000
Receivable from sub-funds	-	5,786,185	1,595,851	7,382,036	747,690
Other receivables	6,097	-	-	6,097	1,142
	2,706,097	5,986,185	1,695,851	10,388,133	25,783,699

	June 30, 2013				June 30, 2012
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- Rupees -----					

6. ACCRUED EXPENSES AND OTHER LIABILITY

Professional charges	32,769	43,881	34,008	110,658	104,926
Federal excise duty	7,392	-	-	7,392	21,759
Payable to sub-funds	7,382,036	-	-	7,382,036	747,690
Payable to auditors	108,116	157,845	109,004	374,965	250,203
Workers Welfare Fund	198,646	81,572	33,632	313,850	-
Payable against redemption of units	941	-	-	941	479,358
Others	53,134	19,514	976	73,624	540,843
	7,783,034	302,812	177,620	8,263,466	2,144,779

7. CONTINGENCIES AND COMMITMENTS

7.1 Workers' Welfare Fund Payable

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

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

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

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

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

The Management Company as a matter of abundant precaution has started making provision effective from May 10, 2013 for WWF amounting to Rs. 0.199 million, Rs. 0.082 million and Rs. 0.034 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively in these financial statements out of total provision of Rs. 1.392 million, Rs. 0.882 million and Rs. 0.626 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively in view of the afore mentioned developments and uncertainties created by the recent decision by Honorable Sindh High Court. The unrecognised liability for the period from July 1, 2008 to May 09, 2013 amounts to Rs. 1.168 million, Rs. 0.801 million and Rs. 0.592 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively. (2012: unrecorded WWF liability was Rs. 0.549 million, Rs. 0.582 million and Rs. 0.458 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively). The net asset value per unit of the fund as at June 30, 2013 would have been lower by Rs. 1.75, Rs. 0.76 and Rs. 0.89 for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively if the same were recognised.

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

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

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

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

11. REMUNERATION OF HABIIB METROPOLITAN BANK LIMITED - TRUSTEE

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

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

12. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

13. AUDITORS' REMUNERATION

	June 30, 2013				June 30, 2012
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- Rupees -----					
Audit fee	71,857	105,369	72,774	250,000	249,956
Half yearly review fee	35,569	52,872	36,559	125,000	90,246
Out-of-pocket expenses	7,116	10,436	7,209	24,761	23,501
	114,542	168,677	116,542	399,761	363,703

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

	June 30, 2013				June 30, 2012
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- Rupees -----					
Market value	15,239,713	18,127,847	-	33,367,560	104,050,601
Average cost	(7,572,742)	(18,800,959)	-	(26,373,701)	(99,914,185)
Impairment loss					
Opening	1,253,225	-	-	1,253,225	5,722,140
Charged during the year	-	-	-	-	2,229,682
Reversal / Derecognised	(1,253,225)	-	-	(1,253,225)	(6,698,597)
	-	-	-	-	1,253,225
Surplus / (deficit) net of impairment loss	7,666,971	(673,112)	-	6,993,859	5,389,641
Provision against debt securities					
Opening	-	-	-	-	366,270
Charged during the year	-	366,270	-	366,270	366,270
		1,144,337	-	1,144,337	366,270
		1,510,607	-	1,510,607	366,270
Net unrealised appreciation in the fair value of investments at the beginning of the year	(5,290,462)	(465,449)	-	(5,755,911)	(5,315,184)
Current year appreciation	2,376,509	372,046	-	2,748,555	440,727

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

14.2 The Fund has recognised a provision amounting to Rs. 1.14 million (a provision of 100%) against the principal amount of Pak Electron Limited (PEL) TFCs outstanding as on June 30, 2013 in accordance with the guidance of circular no. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP) on October 24, 2012.

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

15. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2013 in respect of each sub-fund has been calculated by dividing the net income / (loss) after taxation of a sub-fund by the weighted average number of units of the sub-fund in circulation during the year, which are given below:

	For the year ended June 30, 2013		
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
Weighted average number of units	631,454	880,391	588,648
Net income after taxation	41,961,617	15,248,677	8,442,886
Earnings per unit	66.45	17.32	14.34

16. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include MCB-Arif Habib Saving and Investments Limited (Formerly: Arif Habib Investment Limited) being the Pension Fund Manager and MCB Bank Limited being the holding company of MCB-Arif Habib Saving and Investments Limited (Formerly: Arif Habib Investment Limited), Habib Metropolitan Bank Limited being the Trustee, other collective investment schemes managed by the Pension Fund Manager as Management Company and directors and executives of the Pension Fund Manager.

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

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

16.1 Transactions during the year

Year ended June 30, 2013				Year ended June 30, 2012
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- Rupees -----				

**MCB-Arif Habib Saving and Investments Limited
(Formerly : Arif Habib Investment limited)-
Pension Fund Manager**

Remuneration	1,667,792	2,427,795	1,674,503	5,770,090	3,837,404
Sales load	-	-	-	-	401,849

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

Year ended June 30, 2013				Year ended June 30, 2012
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

Rupees

Habib Metropolitan Bank Limited - Trustee

Remuneration	172,878	252,341	174,143	599,362	426,670
Mark-up earned during the year	367,981	370,320	201,281	939,582	757,063
Bank Charges	679	11,037	6,030	17,746	14,530

Directors and officers

Issue of 21,445 units of PPF Equity sub - fund (2012: 12,781 units)	3,613,923	-	-	3,613,923	1,427,107
Issue of 45,940 units of PPF Debt sub - fund (2012: 10,553 units)	-	7,155,009	-	7,155,009	1,526,283
Issue of 48,330 units of PPF Money Market sub - fund (2012: 9,120 units)	-	-	7,698,889	7,698,889	1,368,467
Redemption of 33,792 units of PPF Equity sub - fund (2012: 5,377 units)	4,656,854	-	-	4,656,854	550,758
Redemption of 56,173 units of PPF Debt sub - fund (2012: 30,673 units)	-	8,667,519	-	8,667,519	4,304,810
Redemption of 46,827 units of PPF Money Market sub - fund (2012: 37,577 units)	-	-	7,474,459	7,474,459	5,488,236

16.2 Amounts outstanding as at the year end

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

Rupees

**Arif Habib Investments Limited -
Pension Fund Manager**

Remuneration payable	205,152	255,006	168,875	629,033	357,717
Sales load payable	-	-	-	-	314,098
Investment of 300,000 units as seed capital in each sub-fund (2011: 300,000)	54,646,213	49,150,112	50,423,113	154,219,439	126,293,010

Habib Metropolitan Bank Limited

Remuneration payable	18,941	23,539	15,590	58,070	39,464
Balances with banks	2,142,728	3,055,851	1,109,440	6,308,019	5,869,548
Mark-up receivable	14,285	20,198	26,852	61,335	35,663

Directors and officers

Investment in PPF Equity sub - fund 36,787 units (2012: 18,804 units)	6,700,752	-	-	6,700,752	2,197,052
Investment in PPF Debt sub - fund 24,290 units (2012: 26,094 units)	-	3,979,431	-	3,979,431	3,883,519
Investment in PPF Money Market sub - fund 13,250 units (2012: 30,002 units)	-	-	2,227,060	2,227,060	4,659,571

17. FINANCIAL RISK MANAGEMENT

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

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

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 guidelines for management of above mentioned risks.

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

17.1 Market risk

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

The Pension Fund Manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the SECP and the VPS Rules, 2005.

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

17.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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.

17.1.2 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.

Sensitivity analysis for variable rate instruments

a) As at June 30, 2013, the Debt Sub-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, with all other variables held constant, the net assets of the Fund as on June 30, 2013 and net income for the year then ended would have been higher / lower by Rs. 0.011 million (2012: Rs. 0.025 million).

- Government Ijarah Sukuks which are classified as 'available for sale', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in rates announced by Reuters on June 30, 2013, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.006 million (2012: 0.006).

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' and 'at fair value through profit or loss', exposing the Sub-Funds to interest rate risk. In case of 100 basis points increase / decrease in rates announced by Financial Markets Association of Pakistan on June 30, 2013, with all other variables held constant, the net assets of the Fund and net income for the year would have been lower / higher by Rs. 2.69 million (2012: Rs. 0.470 million).

c) The Fund holds balances in deposit accounts with banks, exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR, with all other variables held constant, the net assets of the Fund as on June 30, 2013 and net income for the year then ended would have been higher / lower by Rs. 0.053 million (2012: Rs. 0.059 million).

The composition of the Fund's investment portfolio, KIBOR rates, rates announced by Reuters and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

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.

Total	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND				PPF MONEY MARKET SUB-FUND			
	June 30, 2013											
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
	Up to three months	More than three months and up to one year	More than one year		Up to three months	More than three months and up to one year	More than one year		Up to three months	More than three months and up to one year	More than one year	

Rupees

On-balance sheet financial instruments

Financial assets

Balances with banks	6,308,019	2,142,728	-	-	-	3,055,851	-	-	-	1,109,440	-	-	-
Investments	399,191,110	-	-	126,725,816	-	5,012,000	9,578,717	147,610,455	-	-	-	110,264,122	-
Dividend receivable	907,040	-	-	907,040	-	-	-	-	-	-	-	-	-
Interest receivable	3,150,244	-	-	14,285	-	-	-	3,109,107	-	-	-	26,852	-
Deposits and other receivables	10,388,133	-	-	2,706,097	-	-	-	5,986,185	-	-	-	1,695,851	-
Total	419,944,546	2,142,728	-	130,353,238	3,055,851	5,012,000	9,578,717	156,705,747	1,109,440	-	-	111,986,825	-

Financial liabilities

Payable to Pension Fund Manager	629,033	-	-	205,152	-	-	-	255,006	-	-	-	168,875	-
Payable to Habib Metropolitan Bank Limited - Trustee	58,070	-	-	18,941	-	-	-	23,539	-	-	-	15,590	-
Fee payable to the Securities and Exchange Commission of Pakistan-Annual fee	109,472	-	-	31,605	-	-	-	46,076	-	-	-	31,791	-
Accrued expenses and other liabilities	8,263,466	-	-	7,783,034	-	-	-	302,812	-	-	-	177,620	-
Total	9,060,041	-	-	8,038,732	-	-	-	627,433	-	-	-	393,876	-

On-balance sheet gap	410,884,505	2,142,728	-	122,314,506	3,055,851	5,012,000	9,578,717	156,078,314	1,109,440	-	-	111,592,949	-
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Off-balance sheet financial instruments

Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-
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Total interest rate sensitivity gap	410,884,505	2,142,728	-	122,314,506	3,055,851	5,012,000	9,578,717	156,078,314	1,109,440	-	-	111,592,949	-
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Cumulative interest rate sensitivity gap	2,142,728	2,142,728	2,142,728	124,457,234	3,055,851	8,067,851	17,646,568	173,724,882	1,109,440	1,109,440	1,109,440	112,702,389	-
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There is no off-balance sheet financial instrument that exists as at the year ended June 30, 2013

Total	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND				PPF MONEY MARKET SUB-FUND			
	June 30, 2012											
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
	Up to three months	More than three months and up to one year	More than one year		Up to three months	More than three months and up to one year	More than one year		Up to three months	More than three months and up to one year	More than one year	

Rupees

On-balance sheet financial instruments

Financial assets

Balances with banks	5,888,838	4,059,500	-	-	1,315,430	-	-	-	513,908	-	-	-	-
Investments	254,286,300	-	-	63,392,913	55,018,713	25,120,037	30,262,301	-	80,492,336	-	-	-	-
Dividend receivable	661,029	-	-	661,029	-	-	-	-	-	-	-	-	-
Interest receivable	1,885,422	-	-	11,917	-	-	-	1,860,718	-	-	-	12,787	-
Deposits and other receivables	25,783,699	-	-	7,565,185	-	-	-	11,693,199	-	-	-	6,525,315	-
Total	288,505,288	4,059,500	-	71,631,044	56,334,143	25,120,037	30,262,301	13,553,917	81,006,244	-	-	6,538,102	-

Financial liabilities

Payable to Pension Fund Manager	357,717	-	-	96,649	-	-	-	151,313	-	-	-	109,755	-
Payable to Habib Metropolitan Bank Limited - Trustee	39,464	-	-	10,663	-	-	-	16,693	-	-	-	12,108	-
Fee payable to the Securities and Exchange Commission of Pakistan-Annual fee	73,591	-	-	19,738	-	-	-	30,512	-	-	-	23,341	-
Accrued expenses and other liabilities	2,144,779	-	-	1,336,648	-	-	-	480,738	-	-	-	327,393	-
Total	2,615,551	-	-	1,463,698	-	-	-	679,256	-	-	-	472,597	-

On-balance sheet gap	285,889,737	4,059,500	-	70,167,346	56,334,143	25,120,037	30,262,301	12,874,661	81,006,244	-	-	6,065,505	-
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Off-balance sheet financial instruments

Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-
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Total interest rate sensitivity gap	285,889,737	4,059,500	-	70,167,346	56,334,143	25,120,037	30,262,301	12,874,661	81,006,244	-	-	6,065,505	-
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Cumulative interest rate sensitivity gap	4,059,500	4,059,500	4,059,500	74,226,846	56,334,143	81,454,180	111,716,481	124,591,142	81,006,244	81,006,244	81,006,244	87,071,749	-
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There is no off-balance sheet financial instrument that exists as at the year ended June 30, 2012.

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

17.1.3 Price risk

Equity Sub-fund

Price risk is a risk that the value of financial instruments may fluctuate as a result of changes in market price. The Equity Sub-Fund is exposed to equity price risk because of investments held by the Equity Sub-Fund and classified on the balance sheet as 'available for sale' and 'at fair value through profit or loss'. 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 10% of its net assets. Moreover, the sector limits have been restricted to 35% of the net assets of the Sub-Fund.

In case of 5% increase / decrease in KSE 100 index on June 30, 2013, the net assets relating to the Equity Sub-Fund and total net assets of the Fund would increase / decrease by Rs. 6.10 million (2012: Rs. 2.904 million) as a result of gains / losses on equity securities classified as available for sale and at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Sub-Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Sub-Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the effect on the Sub-Fund's net assets of future movements in the level of KSE 100 index.

Debt Sub-fund

The Debt Sub-Fund is exposed to price risk because of Term Finance Certificates (TFCs) held by the Debt Sub-Fund and classified on the balance sheet as 'available for sale' and 'at fair value through profit or loss'.

In case of increase/decrease in price of TFCs as a result of 1% increase in effective yield as on June 30, 2013, the net assets relating to the Debt Sub-Fund and total net assets of the Fund would increase/decrease by Rs. 0.094 million as a result of gains / losses on TFCs classified as available for sale and at fair value through profit or loss.

The analysis is based on the assumption that the price had increased / decreased as a result of decrease / increase in effective yield by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the effective yield. The composition of the Sub-Fund's investment portfolio is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the effect on the Sub-Fund's net assets of future movements in the level of effective yield.

17.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on balances with banks and interest 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.

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2013 and June 30, 2012 is the carrying amounts of following financial assets.

-----As at June 30, 2013-----					As at June 30,2012
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	-----Rupees-----	
Balances with banks	2,142,728	3,055,851	1,109,440	6,308,019	5,888,838
Investments	126,725,816	162,201,172	110,264,122	399,191,110	254,286,300
Dividend receivable	907,040	-	-	907,040	661,029
Interest receivable	14,285	3,109,107	26,852	3,150,244	1,885,422
Deposits and other receivables	2,706,097	5,986,185	1,695,851	10,388,133	25,783,699
	<u>132,495,966</u>	<u>174,352,315</u>	<u>113,096,265</u>	<u>419,944,546</u>	<u>288,505,288</u>

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

Bank balances by rating category	Rating Agency	Rating Long-term / Short-term	2013 -----Rupees-----	2012
Habib Metropolitan Bank Limited	PACRA	AA+ / A1+	6,308,019	5,869,548
Bank Al-Habib Limited	PACRA	AA+ / A1+	-	19,290

Term Finance Certificates by rating category

AAA	PACRA	73%	0%
AA	PACRA	0.00%	24.64%
AA-	PACRA	27.40%	22.72%
Unrated	-	0.00%	52.64%

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

Concentration of credit risk

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

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

17.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset at close to its fair value. The Pension Fund Manager manages liquidity risk by continuously analyzing the maturities of financial assets and financial liabilities. Since the Participants 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.

Total	PPF EQUITY SUB-FUND			PPF DEBT SUB-FUND			PPF MONEY MARKET SUB-FUND		
	June 30, 2013								
	Up to three months	Over three months and up to one year	Over one year	Up to three months	Over three months and up to one year	Over one year	Up to three months	Over three months and up to one year	Over one year
Rupees									

Liabilities

Payable to Pension Fund Manager	629,033	205,152	-	-	255,006	-	-	168,875	-	-
Payable to Habib Metropolitan Bank Limited - Trustee	58,070	18,941	-	-	23,539	-	-	15,590	-	-
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	109,472	31,605	-	-	46,076	-	-	31,791	-	-
Accrued expenses and other liabilities	8,263,466	7,783,034	-	-	302,812	-	-	177,620	-	-
	<u>9,060,041</u>	<u>8,038,732</u>	-	-	<u>627,433</u>	-	-	<u>393,876</u>	-	-

Total	PPF EQUITY SUB-FUND			PPF DEBT SUB-FUND			PPF MONEY MARKET SUB-FUND		
	June 30, 2012								
	Up to three months	Over three months and up to one year	Over one year	Up to three months	Over three months and up to one year	Over one year	Up to three months	Over three months and up to one year	Over one year
Rupees									

Liabilities

Payable to Pension Fund Manager	357,717	96,649	-	-	151,313	-	-	109,755	-	-
Payable to Habib Metropolitan Bank Limited - Trustee	39,464	10,663	-	-	16,693	-	-	12,108	-	-
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	-	73,591	19,738	-	30,512	-	-	23,341	-	-
Accrued expenses and other liabilities	2,144,779	1,336,648	-	-	480,738	-	-	327,393	-	-
	<u>2,615,551</u>	<u>1,463,698</u>	-	-	<u>679,256</u>	-	-	<u>472,597</u>	-	-

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

17.4 Financial instruments by category

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

Rupees

Financial assets

Balances with banks	6,308,019	2,142,728	-	-	2,142,728	3,055,851	-	-	3,055,851	1,109,440	-	-	1,109,440
Investments	399,191,110	-	111,486,104	15,239,713	126,725,816	-	144,073,325	18,127,847	162,201,172	-	110,264,122	-	110,264,122
Dividend receivable	907,040	907,040	-	-	907,040	-	-	-	-	-	-	-	-
Interest receivable	3,150,244	14,285	-	-	14,285	3,109,107	-	-	3,109,107	26,852	-	-	26,852
Deposits and other receivables	10,388,133	2,706,097	-	-	2,706,097	5,986,185	-	-	5,986,185	1,695,851	-	-	1,695,851
	<u>419,944,546</u>	<u>5,770,150</u>	<u>111,486,104</u>	<u>15,239,713</u>	<u>132,495,966</u>	<u>12,151,143</u>	<u>144,073,325</u>	<u>18,127,847</u>	<u>174,352,315</u>	<u>2,832,143</u>	<u>110,264,122</u>	<u>-</u>	<u>113,096,265</u>

Total	PPF EQUITY SUB-FUND			PPF DEBT SUB-FUND			PPF MONEY MARKET SUB-FUND		
	June 30, 2013								
	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total

Rupees

Financial liabilities

Payable to Pension Fund Manager	629,033	-	205,152	205,152	-	255,006	255,006	-	168,875	168,875
Payable to Habib Metropolitan Bank Limited - Trustee	58,070	-	18,941	18,941	-	23,539	23,539	-	15,590	15,590
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	109,472	-	31,605	31,605	-	46,076	46,076	-	31,791	31,791
Accrued expenses and other liabilities	8,263,466	-	7,783,034	7,783,034	-	302,812	302,812	-	177,620	177,620
	<u>9,060,041</u>	<u>-</u>	<u>8,038,732</u>	<u>8,038,732</u>	<u>-</u>	<u>627,433</u>	<u>627,433</u>	<u>-</u>	<u>393,876</u>	<u>393,876</u>

Financial instruments by category

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

Rupees

Financial assets

Balances with banks	5,888,838	4,059,500	-	-	4,059,500	1,315,430	-	-	1,315,430	513,908	-	-	513,908
Investments	254,286,300	-	43,576,371	19,816,542	63,392,913	-	26,166,992	84,234,059	110,401,051	-	80,492,336	-	80,492,336
Dividend receivable	661,029	661,029	-	-	661,029	-	-	-	-	-	-	-	-
Interest receivable	1,885,422	11,917	-	-	11,917	1,860,718	-	-	1,860,718	12,787	-	-	12,787
Deposits and other receivables	25,783,699	7,565,185	-	-	7,565,185	11,693,199	-	-	11,693,199	6,525,315	-	-	6,525,315
	<u>288,505,288</u>	<u>12,297,631</u>	<u>43,576,371</u>	<u>19,816,542</u>	<u>75,690,544</u>	<u>14,869,347</u>	<u>26,166,992</u>	<u>84,234,059</u>	<u>125,270,398</u>	<u>7,052,010</u>	<u>80,492,336</u>	<u>-</u>	<u>87,544,346</u>

Total	PPF EQUITY SUB-FUND			PPF DEBT SUB-FUND			PPF MONEY MARKET SUB-FUND		
	June 30, 2012								
	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total

Rupees

Financial liabilities

Payable to Pension Fund Manager	357,717	-	96,649	96,649	-	151,313	151,313	-	109,755	109,755
Payable to Habib Metropolitan Bank Limited - Trustee	39,464	-	10,663	10,663	-	16,693	16,693	-	12,108	12,108
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	73,591	-	19,738	19,738	-	30,512	30,512	-	23,341	23,341
Accrued expenses and other liabilities	2,144,779	-	1,336,648	1,336,648	-	480,738	480,738	-	327,393	327,393
	<u>2,615,551</u>	<u>-</u>	<u>1,463,698</u>	<u>1,463,698</u>	<u>-</u>	<u>679,256</u>	<u>679,256</u>	<u>-</u>	<u>472,597</u>	<u>472,597</u>

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

17.5 Fair value of financial assets and liabilities

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

17.5.1 Fair value hierarchy

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

- Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3:** inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

----- As at June 30, 2013 -----

Total	PPF EQUITY SUB-FUND			PPF DEBT SUB-FUND			PPF MONEY MARKET SUB-FUND		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
----- Rupees -----									
Investment in securities -									
At fair value through									
profit or loss	365,823,551	111,486,104	-	-	144,073,325	-	-	110,264,122	-
Available for sale	33,367,560	15,239,713	-	-	18,127,847	-	-	-	-
	<u>399,191,110</u>	<u>126,725,816</u>	<u>-</u>	<u>-</u>	<u>162,201,172</u>	<u>-</u>	<u>-</u>	<u>110,264,122</u>	<u>-</u>

----- As at June 30, 2012 -----

Total	PPF EQUITY SUB-FUND			PPF DEBT SUB-FUND			PPF MONEY MARKET SUB-FUND		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
----- Rupees -----									
Investment in securities -									
At fair value through									
profit or loss	150,235,699	43,576,371	-	-	26,166,992	-	-	80,492,336	-
Available for sale	104,050,601	19,816,542	-	-	84,234,059	-	-	-	-
	<u>254,286,300</u>	<u>63,392,913</u>	<u>-</u>	<u>-</u>	<u>110,401,051</u>	<u>-</u>	<u>-</u>	<u>80,492,336</u>	<u>-</u>

18. CAPITAL RISK MANAGEMENT

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

Capital includes 300,000 units each relating to core investors of the three sub-funds of the Fund. These units were issued as initial subscription in the form of the seed capital subscribed up to 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.

19. SEGMENT INFORMATION

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief decision-maker. Investment Committee has been identified as the chief decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and is responsible for the Fund's entire product 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.

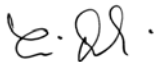
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

20. DATE OF AUTHORISATION FOR ISSUE

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

21. GENERAL

Figures have been rounded off to the nearest Rupee.



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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