



Bachat ka Dusra Naam

Annual Report 2014



Phir Aglee Rut Kee Fikar Karo

PAKISTAN

PENSION
FUND

MCB-Arif Habib Savings and Investments Limited

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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 Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Mohammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Mr. Yasir Qadri	Chief Executive Officer
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
Audit Committee	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Habib Metropolitan Bank Limited 8th Floor, HBZ Plaza, Building I.I.Chundrighar Road, Karachi.	
Bankers	Habib Metropolitan Bank Limited	
Auditors	Ernts & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM 2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE FUND MANAGER

The board of Directors of MCB-Arif Habib Savings and 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, 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Economic optimism generally prevailed throughout the year, as the new government managed to close the performance of their first fiscal year with improving macroeconomic indicators. Single-digit inflation, improvement in reserves, stability in rupee and successful implementation of fiscal reforms managed to dilute the negative impact arising from wide fiscal and current account deficits on the economy.

Despite poor law and order situation and energy crisis, the real GDP growth remained in the vicinity of 4% in FY14, as opposed to 3.7% during the previous fiscal year. During the year, the country successfully entered into a three-year \$6.6 billion loan program with IMF. The country received four tranches of around \$540 million each during FY14 as against the total \$3 billion repayments to IMF due in FY14.

The reserves had remained under pressure during the first eight months of FY14 on account of hefty repayments to foreign donors. However, multilateral agencies and close allies along with fewer repayments towards the latter part of the year helped improve reserve balance to \$13.99 billion as on 27-June-2014 from the trough of \$7.59 billion touched on 7-February-2014. Not to mention, \$1.5 billion from Saudi Arabia in March 2014. Local currency managed to appreciate to Rs98 against dollar from a record low of Rs108.6 against dollar on 5-December-2013.

Despite implementation of fiscal reforms, inflation remained in single digit with CPI averaging around 8.62% in FY14. Although the government had twice announced 50 bps hikes in the discount rate in the monetary policy held in September and November, bringing the discount rate to 10%, stable inflation and improvement in foreign reserve convinced policy makers to keep discount rate unchanged in the later three monetary policies, in spite of IMF pressure of maintaining positive real returns.

The Current Account balance remained in pressure posting a deficit of \$2.57 billion in 11MFY14 as opposed to deficit of \$2.15 billion reported in 11MFY13. Last year's saving grace came in the form of proceeds under Coalition Support Funds (CSF) where the country received \$1 billion as opposed to inflows of \$1.8 billion received during 11MFY14. The country's import bill nudged up by 3.31% to \$38.13 billion and exports stayed constant at last year's level of around \$23 billion. At the same time, remittances improved to \$14.33 billion from \$12.75 billion reported in 11MFY13.

The country's financial account registered a surplus of \$4.36 billion, as opposed to surplus of \$212 million in the previous year. Thanks to higher FDIs as proceeds amounted to \$ 1.36 billion in 11MFY14, nearly \$34 million higher than the previous fiscal year. A large portion of this increase could be attributed to sale of 3G & 4G licenses.

The lower current account deficit along with surplus in financial account and capital account summed to an overall surplus of \$3.33 billion in 11MFY14 as opposed to deficit of \$1.86 billion during the previous year.

On the heels of structural reforms, the country's performance on fiscal side improved, with the government expected to conclude the year by recording a fiscal deficit of 5.8% largely lower than the year's target of 6.3% and the last year's level of 8%. A big part of this reduction could be attributed to large Circular Debt transaction towards the end of last fiscal year.

The tax revenue collection is expected to remain close to the budgeted amount of around Rs 2.51 trillion, while higher than expected growth in non-tax revenues would help the country to record Rs 3.59 trillion in gross receipts that is nearly 10% higher than the budgeted revenue.

While being overly aggressive with their tax collection drive the government's debt management has left a lot to be desired. Perhaps a better strategy could here helped the Govt. borrow long at better rates while developing the mid to long end debt market.

EQUITIES MARKET OVERVIEW

KSE-100 index rose by a remarkable 41% in FY14 as against an average annual growth of 46% recorded during the past three fiscal years. Aided by smooth political transition and improving fundamentals, the stock market started the year on a positive note. The market touched an all-time high (intraday) of around 29,789.85 on 2nd June, 2014.

REPORT OF THE DIRECTOR OF THE FUND MANAGER

This double-digit growth in performance has helped the local equity market to shine as one of the best performing markets in the world. Pakistan ranked first amongst Asian Frontier markets in FY14 as MSCI Pakistan gained 23% outpacing Bangladesh, 21%; Vietnam, 13%; and Sri Lanka, -1%.

The volumes remained healthy with an average daily market turnover of around 216 million shares during the year, nearly 1.2 times higher than the average volume during the past three fiscal years. Foreign investors remained net buyers given that the market closed its fiscal year recording net foreign inflows of around \$261.8 million as opposed to the net inflow of around \$552.6 million in FY13

A combination of smooth political transition, successful political transition, entry into IMF program and foreign inflows 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.

Moreover, a combination of improving economic indicators, strong inherent bottom line growth and healthy payouts helped keep the investors' interest alive in the stock market. The rally remained broad based, but interest largely remained in Pharmaceuticals, Banks and Automobile sectors.

Pharmaceutical stocks managed to lead the pack on the heels of upward revision in drugs prices, while rupee appreciation towards the latter half of the fiscal year improved the margins of automobile companies. The successful entry into GSP plus program brought few profitable textile companies into limelight in the face of rupee appreciation which bodes negative for textile companies and Cement companies thrived on widening of margins owing to increase in cement prices and lower coal prices.

Equity Fund

The Equity sub-fund generated a return of 49.60% while the KSE-100 increased by 41.16% during the period under review. The sub-fund increased its overall equity exposure marginally to 95.8% from 95.6%. Sector-wise, the sub-fund maintained its exposure in Oil & Gas, Commercial Banks and Electricity sectors, whilst reduced its exposure towards Construction and Material Sector.

The Net Assets of the Fund as at June 30, 2014 stood at Rs. 211.96 million as compared to Rs 124.46 million as at June 30 2013, registering an increase of 70.30%.

The Net Asset Value (NAV) per unit as at June 30, 2014 was Rs. 272.49 as compared to opening NAV of Rs. 182.15 per unit as at June 30, 2013 registering an increase of Rs. 90.34 per unit.

Debt Fund

The debt sub-fund generated an annualized return of 7.16% during FY14. The fund completely eliminated exposure in T-bills from 48% at the beginning of the period whereas exposure towards PIBs increased considerably from 36.6% to 86.2%.

The Net Assets of the Fund as at June 30, 2014 stood at Rs. 244.77 million as compared to Rs 173.72 million as at June 30, 2013 registering an increase of 40.90%.

The Net Asset Value (NAV) per unit as at June 30, 2014 was Rs.175.56 as compared to opening NAV of Rs. 163.83 per unit as at June 30, 2013 registering an increase of Rs. 11.73 per unit.

Money Market Fund

The money market sub-fund generated a return of 7.15% during the period. The fund decreased its exposure in T-bills from 97.5% to 94.2% during the period.

The Net Assets of the Fund as at June 30, 2014 stood at Rs. 138.59 million as compared to Rs 112.70 million as at June 30, 2013 registering an increase of 22.97%

The Net Asset Value (NAV) per unit as at June 30, 2014 was Rs. 180.1 as compared to opening NAV of Rs. 168.08 per unit as at June 30, 2013 registering an increase of Rs. 12.02 per unit.

REPORT OF THE DIRECTOR OF THE FUND MANAGER

FUTURE OUTLOOK

The country's trade deficit is likely to reduce on account of stable commodity prices, stronger rupee and incremental exports due to GSP plus facility. Also, in consideration of various reforms introduced in FY15, targeted fiscal deficit level of 4.9% doesn't appear as farfetched as it has been in the last few years. The government expects reserve position to improve further on the back pledges made by multilateral agencies, approved project financing and divestment of strategic assets.

Earnings growth is expected to continue in Cement, Autos and Consumer goods sector, amongst others.

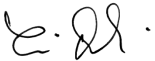
The rupee appreciation bodes well for Autos and Consumer goods sectors, while higher allocation in PSDP will increase demand for cement. Moreover, expected monetary easing down the line would reignite the market's interest in the leveraged scripts.

Above all, the equity market will continue to attract foreign investors owing to divestment of the government's holding in listed companies and increase in the country's weight in MSCI FM Index.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Yasir Qadri

Chief Executive Officer

Karachi: July 28, 2014

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

Fund Type and Category

Pakistan Pension Fund (PPF) is an open-end Voluntary Pension Scheme

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 investors have a choice between the 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 96% of its assets in equity securities. Sector/stock selection is done on the basis of fundamental outlook and DCF valuation. 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 sub-fund generated a return of 49.6% as against KSE-100 index return of 41.2%, an outperformance of 8.4% at the end of FY14. Around 79% exposure was in five sectors namely Commercial Banks, Construction & Materials, Oil and Gas, General Industrials and Electricity.

Sector-Wise, the equity sub-fund decreased its exposure within Construction and Materials from 16.6% at the beginning of the year to 9.2% by end-June 2014. The exposure towards Oil and Gas was increased from 29% to 34%, and exposure towards Electricity sector was increased from 4% to 6% by end-June 2014.

Money Market Sub- Fund

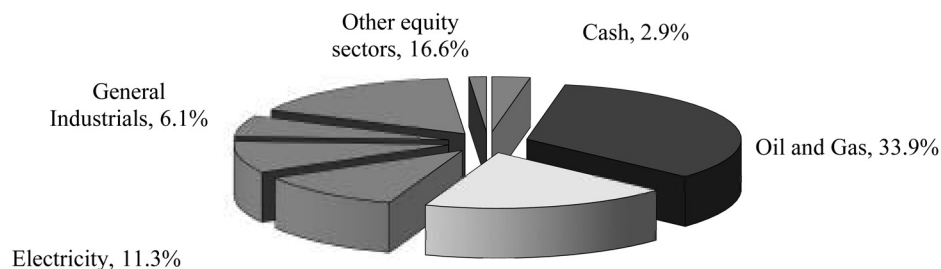
The money market sub-Fund made an annualized return of 7.2% during the year. Money Market sub-fund generated an annualized return of 7.70% during the month. The fund exposure towards T-bill increased to 94.2% from 87.6% at the end of previous month. The net assets of the sub-fund increased to Rs 138.59 million by end-June 2014 as against Rs 112.7 million at the beginning of the year.

Debt Sub-Fund

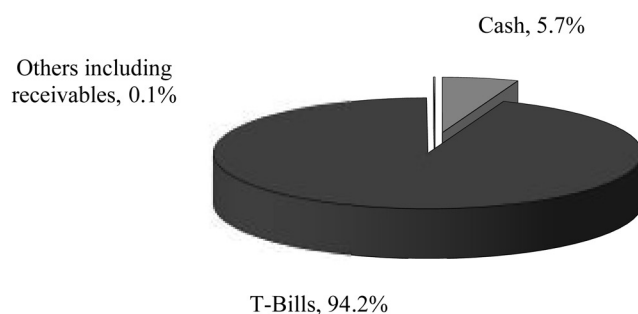
The debt sub –Fund generated annualized return of 7.2% during the year. As PIBs continued to stay in the limelight, the fund exposure towards PIBs stood at 86% as of June 30, 2014. The sub-fund decreased its TFCs exposure from 5.5% at the beginning of the period to only 1.0% as of June 30, 2014. The net assets of the sub-fund increased to Rs 244.77 million as against Rs 173.72 million at the beginning of the year.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

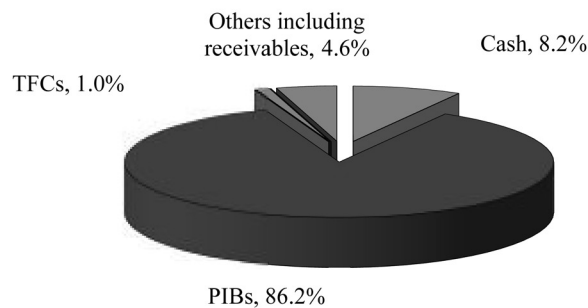
Asset Allocation (Equity Sub-fund) as of June 30, 2014 (% of total assets)



Asset Allocation (MM Sub-fund) as of June 30, 2014 (% of total assets)



Asset Allocation (Debt Sub-fund) as of June 30, 2014 (% of total assets)



Mr. Muhammad Asim, CFA
Fund Manager

Karachi: July 28, 2014



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, 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 2014 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 to the 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 29, 2014

AUDITORS' REPORT TO THE MEMBERS



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
eyfrsh.khi@pk.ey.com
ey.com/pk

AUDITORS' REPORT TO THE PARTICIPANTS OF PAKISTAN PENSION FUND

We have audited the annexed financial statements comprising:

- i) balance sheet;
- ii) income statement;
- iii) statement of comprehensive income
- iv) statement of cash flows;
- v) statement of movement in participants' sub-funds;
- vi) statement of investment by category;
- vii) statement of investment portfolio;
- viii) statement of other investments;
- ix) contribution table;
- x) number of units in issue; and
- xi) financial performance table.

of **Pakistan Pension Fund** (the Fund) as at **30 June 2014** and for the year ended **30 June 2014** 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 Pension Fund in conformity with the International Accounting Standards 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 the 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 amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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;

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AUDITORS' REPORT TO THE MEMBERS



-: 2 :-

- b) a true and fair view is given of the financial position and disposition of the Pension Fund as at 30 June 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan;
- 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 Pension Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Pension Fund;
- e) proper books and records have been kept by the Pension Fund and the financial statements prepared are in agreement with the Pension Fund's books and records;
- f) we have obtained 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 to the financial statements which explains the contingency with respect to the contribution to Workers' Welfare Fund aggregating to Rs.2.561 million. In this regard, the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably.

Our opinion is not qualified in respect of the above matter.

Other matter

The financial statements of the Fund for the year ended 30 June 2013 were audited by another firm of chartered accountants whose audit report, dated 05 August 2013, included an emphasis of matter paragraph regarding the uncertainty pertaining to the future outcome of the litigation pending in respect of contribution to Workers' Welfare Fund.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 28 July 2014

Karachi

A member firm of Ernst & Young Global Limited

BALANCE SHEET AS AT JUNE 30, 2014

		2014				
		PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	2013
Note		----- (Rupees) -----				
Assets						
	4	6,357,437	20,274,394	8,005,657	34,637,488	6,308,019
		212,272,091	214,816,423	131,362,721	558,451,235	399,191,110
		182,409	-	-	182,409	907,040
		37,547	11,012,328	43,243	11,093,118	3,150,244
	5	2,704,950	200,000	100,000	3,004,950	10,388,133
		221,554,434	246,303,145	139,511,621	607,369,200	419,944,546
Liabilities						
		303,855	323,367	189,088	816,310	573,498
		27,890	29,681	17,354	74,925	58,070
		52,740	64,572	41,035	158,347	109,472
		6,756,000	-	-	6,756,000	-
	6	2,453,072	1,113,286	671,586	4,237,944	8,319,001
		9,593,557	1,530,906	919,063	12,043,526	9,060,041
		211,960,877	244,772,239	138,592,558	595,325,674	410,884,505
	7					
Participants Sub-Funds (as per Statement of Movement in Participants' sub-funds)						
		211,960,877	244,772,239	138,592,558		
Number of units in issue (as per statement attached)						
		777,875	1,394,240	769,542		
		272.49	175.56	180.10		

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

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


Chief Executive Officer


Director

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014**

2014

	Note	PPF			Total	2013
		PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
----- (Rupees) -----						
Income						
Capital gain / (loss) on sale of investments classified as 'available for sale'		7,879,591	314,651	-	8,194,242	2,510,788
'at fair value through profit or loss'		33,712,464	(1,143,609)	12,764	32,581,619	18,590,085
Dividend income on shares classified as 'available for sale'		505,481	-	-	505,481	5,473,075
'at fair value through profit or loss'		7,083,039	-	-	7,083,039	1,323,208
Income from Government Securities classified as 'available for sale'		-	4,524,634	-	4,524,634	2,079,403
'at fair value through profit or loss'		-	13,553,137	11,314,296	24,867,433	19,291,618
Income from Term Finance Certificates and sukuk bonds classified as 'available for sale'		-	643,960	-	643,960	737,780
'at fair value through profit or loss'		-	586,061	-	586,061	877,576
Profit on bank deposits		379,133	359,198	271,604	1,009,935	949,592
Unrealised gain / (loss) on revaluation of investments at fair value through profit or loss' - net		24,530,777	161,767	(27,520)	24,665,024	15,940,606
Reversal of impairment loss on listed equity securities classified as 'available for sale'		-	-	-	-	1,253,225
Other income		32,769	43,881	34,008	110,658	-
Total income		74,123,254	19,043,680	11,605,152	104,772,086	69,026,956
Expenses						
Remuneration of Pension Fund Manager	9	2,373,298	2,905,728	1,846,598	7,125,624	4,926,767
Sales tax and Federal Excise Duty on remuneration of Pension Fund Manager	10	820,212	1,004,218	638,185	2,462,615	843,323
Remuneration of Habib Metropolitan Bank Limited- Trustee	11	269,189	330,197	210,077	809,463	599,362
Annual fee - Securities and Exchange Commission of Pakistan (SECP)	12	52,740	64,572	41,036	158,348	109,472
Auditors' remuneration	13	142,710	174,673	110,952	428,335	399,761
Custody and settlement charges		258,815	224,568	-	483,383	443,220
Securities transaction cost		896,635	36,868	7,555	941,058	760,523
Legal and professional charges		-	-	-	-	70,002
Provision against debt securities		-	-	-	-	1,144,337
Bank charges		2,233	7,181	5,418	14,832	18,663
Total expenses		4,815,832	4,748,005	2,859,821	12,423,658	9,315,430
Net income from operating activities		69,307,422	14,295,675	8,745,331	92,348,428	59,711,526
Element of income and capital gains included in prices of units issued less those redeemed		9,070,676	3,138,713	820,266	13,029,655	6,255,504
Provision for Workers' Welfare Fund	7.1	(1,567,606)	(347,143)	(191,312)	(2,106,061)	(313,850)
		7,503,070	2,791,570	628,954	10,923,594	5,941,654
Net income for the year before taxation		76,810,492	17,087,245	9,374,285	103,272,022	65,653,180
Taxation	3.10	-	-	-	-	-
Net income for the year after taxation		76,810,492	17,087,245	9,374,285	103,272,022	65,653,180
Earnings per unit	15	110.56	14.86	13.24		

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


Chief Executive Officer

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


Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014**

	2014			Total	2013
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
Note	----- (Rupees) -----				
Net income for the year	76,810,492	17,087,245	9,374,285	103,272,022	65,653,180
Other comprehensive income					
Items to be reclassified to profit or loss in subsequent periods					
Net unrealized gain / (loss) on revaluation of available-for-sale investments	716,142	(22,702)	-	693,440	3,845,219
Reclassification adjustment on sale / maturity of available-for-sale investments	(6,342,328)	(264,266)	-	(6,606,594)	(1,096,664)
14	(5,626,186)	(286,968)	-	(5,913,154)	2,748,555
Total comprehensive income for the year	71,184,306	16,800,277	9,374,285	97,358,868	68,401,735

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

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



Chief Executive Officer



Director

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	2014			Total	2013
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
	(Rupees)				
CASH FLOW FROM OPERATING ACTIVITIES					
Net income before taxation	76,810,492	17,087,245	9,374,285	103,272,022	65,653,180
Adjustments for non cash charges and other items:					
Capital (gain) / loss on sale of investments	(41,592,055)	828,958	(12,764)	(40,775,861)	(21,100,873)
Unrealised (gain) / loss on revaluation of investments at fair value through profit or loss' - net	(24,530,777)	(161,767)	27,520	(24,665,024)	(15,940,606)
Reversal of impairment loss on listed equity securities classified as 'available for sale'	-	-	-	-	(1,253,225)
Element of income and capital gains included in prices of units issued less those redeemed	(9,070,676)	(3,138,713)	(820,266)	(13,029,655)	(6,255,504)
	(75,193,508)	(2,471,522)	(805,510)	(78,470,540)	(44,550,208)
(Increase) / decrease in assets					
Investments - net	(25,049,629)	(53,569,410)	(21,113,355)	(99,732,394)	(103,861,551)
Dividend receivable	724,631	-	-	724,631	(246,011)
Profit receivable	(23,262)	(7,903,221)	(16,391)	(7,942,874)	(1,264,822)
Deposits and other receivables	1,147	5,786,186	1,595,852	7,383,185	15,395,566
	(24,347,113)	(55,686,445)	(19,533,894)	(99,567,452)	(89,976,818)
Increase / (decrease) in liabilities					
Payable to Pension Fund Manager	116,794	90,898	35,120	242,812	215,782
Payable to the Trustee	8,949	6,142	1,764	16,855	18,606
Annual fee - Securities and Exchange Commission of Pakistan (SECP)	21,135	18,496	9,244	48,875	35,881
Payable against purchase of equity securities	6,756,000	-	-	6,756,000	-
Accrued and other liabilities	(5,348,053)	787,937	479,059	(4,081,057)	6,174,221
	1,554,825	903,473	525,187	2,983,485	6,444,490
Net cash used in operating activities	(21,175,304)	(40,167,249)	(10,439,932)	(71,782,485)	(62,429,356)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipt of contribution	63,051,060	90,363,277	39,422,813	192,837,150	95,500,697
Payment against withdrawal	(37,661,047)	(32,977,485)	(22,086,664)	(92,725,196)	(32,652,160)
Net cash generated from financing activities	25,390,013	57,385,792	17,336,149	100,111,954	62,848,537
Net increase / (decrease) in cash and cash equivalents during the year	4,214,709	17,218,543	6,896,217	28,329,469	419,181
Cash and cash equivalents at beginning of the year	2,142,728	3,055,851	1,109,440	6,308,019	5,888,838
Cash and cash equivalents at end of the year	6,357,437	20,274,394	8,005,657	34,637,488	6,308,019

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

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


Chief Executive Officer


Director

**STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB-FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	2014			Total	2013
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
	----- (Rupees) -----				
Net assets at beginning of the year	124,457,234	173,724,882	112,702,389	410,884,505	285,889,737
Amount received on issue of units	63,051,060	90,363,277	39,422,813	192,837,150	95,500,697
Amount paid on redemption of units	(37,661,047)	(32,977,485)	(22,086,664)	(92,725,196)	(32,652,160)
	25,390,013	57,385,792	17,336,149	100,111,954	62,848,537
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	(9,070,676)	(3,138,713)	(820,266)	(13,029,655)	(6,255,504)
- Amount representing unrealised appreciation in fair value of investments	(6,299,949)	(20,860,403)	(6,617,151)	(33,777,503)	(18,619,915)
	(15,370,625)	(23,999,116)	(7,437,417)	(46,807,158)	(24,875,419)
Unrealised gain on revaluation of investment classified as available-for-sale	(5,626,186)	(286,968)	-	(5,913,154)	2,748,555
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	6,299,949	20,860,403	6,617,151	33,777,503	18,619,915
Net income for the year after taxation	76,810,492	17,087,245	9,374,285	103,272,022	65,653,180
Net Assets at end of the year	211,960,877	244,772,239	138,592,558	595,325,673	410,884,505

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

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


Chief Executive Officer


Director

**STATEMENT OF INVESTMENTS BY CATEGORY
AS AT JUNE 30, 2014**

	2014				2013
	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	200,576,352	-	-	200,576,352	111,486,104
Pakistan Investment Bonds	-	92,734,009	-	92,734,009	53,463,941
Market Treasury Bills	-	-	131,362,721	131,362,721	193,919,006
Term Finance Certificates	-	-	-	-	6,954,500
	200,576,352	92,734,009	131,362,721	424,673,082	365,823,551
'Available-for-sale' investments					
Listed equity securities	11,695,739	-	-	11,695,739	15,239,713
Pakistan Investment Bonds	-	119,508,782	-	119,508,782	10,491,630
Term Finance Certificates and Sukuk Bonds	-	2,573,632	-	2,573,632	2,624,217
Government Ijarah Sukuks	-	-	-	-	5,012,000
	11,695,739	122,082,414	-	133,778,153	33,367,560
Investments at market value	212,272,091	214,816,423	131,362,721	558,451,235	399,191,110

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

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


Chief Executive Officer


Director

STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2014

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, 2014			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company
	As at July 01, 2013	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2014	Cost	Market value	Appreciation/ (Diminution)		
						Rupees			%	%
Oil and gas producers										
Attock Petroleum Limited	10,450	5,200	3,130	3,585	15,195	7,226,690	8,962,467	1,735,777	4.23	0.0183
National Refinery Limited	-	3,100	-	3,100	-	-	-	-	-	-
Oil & Gas Development Company Limited	24,960	74,000	-	48,000	50,960	12,769,292	13,314,829	545,537	6.28	0.0012
Pakistan Oilfields Limited	13,240	43,000	-	23,446	32,794	16,615,572	18,833,594	2,218,022	8.89	0.0139
Pakistan Petroleum Limited	32,500	29,300	10,000	33,577	38,223	7,160,028	8,574,948	1,414,920	4.05	0.0019
Pakistan State Oil Company Limited	22,000	61,300	2,040	39,900	45,440	16,235,239	17,669,344	1,434,105	8.34	0.0167
Shell Pakistan Limited	10,400	-	-	10,400	-	-	-	-	-	-
Mari Petroleum Company Limited	-	6,000	-	6,000	-	-	-	-	-	-
						60,006,821	67,355,182	7,348,361	31.78	
Chemicals										
Clariant Pakistan Limited	-	12,100	-	12,100	-	-	-	-	-	-
Dawood Hercules Corporation Limited	18,000	-	-	18,000	-	-	-	-	-	-
Engro Corporation Limited	11,000	75,500	-	86,500	-	-	-	-	-	-
Engro Fertilizers Limited	-	2,500	-	2,500	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	132,000	-	-	132,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	16,400	39,000	-	55,400	-	-	-	-	-	-
I.C.I. Pakistan Limited	-	12,800	-	12,800	-	-	-	-	-	-
Sitara Chemical Industries Limited	20,000	-	-	20,000	-	-	-	-	-	-
						-	-	-	-	-
Forestry and paper										
Pakistan Paper Products Limited	6,674	-	-	6,674	-	-	-	-	-	-
Construction and materials										
Attock Cement Pakistan Limited	-	8,900	-	-	8,900	1,336,000	1,403,530	67,530	0.66	0.0078
Cherat Cement Company Limited	77,000	-	2,950	47,500	32,450	1,716,605	2,124,177	407,572	1.00	0.0309
Fauji Cement Company Limited	167,000	-	-	167,000	-	-	-	-	-	-
Fecto Cement limited	62,500	-	-	62,500	-	-	-	-	-	-
Kohat Cement Limited	80,396	35,000	14,879	130,275	-	-	-	-	-	-
Lafarge Pakistan Cement Limited	-	274,000	-	274,000	-	-	-	-	-	-
Lucky Cement Limited	10,631	34,400	-	27,531	17,500	6,756,001	7,180,250	424,249	3.39	0.0054
Maple Leaf Cement	-	401,000	-	137,000	264,000	6,882,454	7,933,200	1,050,746	3.74	0.0500
Pioneer Cement Limited	-	39,000	-	-	39,000	1,852,500	1,819,740	(32,760)	0.86	0.0172
						18,543,560	20,460,897	1,917,337	9.65	
General industrials										
Packages Limited	-	16,000	-	1,500	14,500	3,915,000	7,272,765	3,357,765	3.43	0.0172
Thal Limited	-	31,000	-	19,100	11,900	1,946,840	2,467,941	521,101	1.16	0.0147
Tri-Pack Films Limited	-	22,000	-	-	22,000	4,351,626	3,729,880	(621,746)	1.76	0.0733
						10,213,466	13,470,586	3,257,120	6.35	
Industrial engineering										
International Steels Limited	-	500	-	-	500	9,005	11,525	2,520	0.01	0.0001
International Industries Limited	-	77,000	-	14,500	62,500	3,189,125	3,090,000	(99,125)	1.46	0.0521
Millat Tractors Limited	-	4,400	-	-	4,400	2,192,300	2,196,172	3,872	1.04	0.0099
						5,390,430	5,297,697	(92,733)	2.51	
Industrial transportation										
Pakistan National Shipping Corporation	-	60,000	-	20,000	40,000	2,840,000	2,844,800	4,800	1.34	0.0303
Automobile and parts										
Pak Suzuki Motor Co. Limited	26,000	33,300	-	26,000	33,300	7,156,513	9,120,537	1,964,024	4.30	0.0405
General Tyre & Rubber Company	-	50,000	-	50,000	-	-	-	-	-	-
Sazgar Engineering Works	-	34,500	-	-	34,500	1,060,206	1,207,500	147,294	0.57	0.1920
						8,216,719	10,328,037	2,111,318	4.87	

STATEMENT OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2014

Name of the Investee Company	Number of shares					Balance as at June 30, 2014			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company
	As at July 01, 2013	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2014	Cost	Market value	Appreciation/ (Diminution)		
						Rupees			%	%
Food producers										
Engro Foods Limited	17,500	20,000	-	37,500	-	-	-	-	-	-
Habib Sugar Mills Limited	-	120,500	-	120,500	-	-	-	-	-	-
Personal goods										
Bata Pakistan Limited	300	3,000	-	1,200	2,100	3,617,556	6,795,600	3,178,044	3.21	0.0278
Ellcot Spinning Mills Limited	20,000	4,000	-	24,000	-	-	-	-	-	-
Faisal Spinning Mills Limited	15,500	-	-	15,500	-	-	-	-	-	-
Gadoon Textile Limited	-	7,000	-	7,000	-	-	-	-	-	-
Sapphire Fibres Limited	-	6,900	-	6,900	-	-	-	-	-	-
Kohinoor Textile Mills Limited	-	24,000	-	24,000	-	-	-	-	-	-
						3,617,556	6,795,600	3,178,044	3.21	
Tobacco										
Pakistan Tobacco Company Limited	15,000	-	-	15,000	-	-	-	-	-	-
Health care equipment and services										
Shifa International Hospitals Limited	44,500	-	-	44,500	-	-	-	-	-	-
Pharma and bio tech										
Abbott Laboratories Pakistan limited	-	11,200	-	11,200	-	-	-	-	-	-
Ferozsons Laboratories Limited	11,550	23,000	-	34,550	-	-	-	-	-	-
The Searle Company Limited	-	11,000	-	11,000	-	-	-	-	-	-
Media										
Hum Network Limited	21,500	-	-	21,500	-	-	-	-	-	-
Fixed line telecommunication										
Pakistan Telecommunication Company Limited	28,000	340,000	-	368,000	-	-	-	-	-	-
Electricity										
Hub Power Company Limited	61,850	284,500	-	162,855	183,495	10,850,922	10,778,496	(72,426)	5.09	0.0159
Kot Addu Power Company Limited	-	365,000	-	125,000	240,000	14,075,806	14,169,600	93,794	6.69	0.0273
						24,926,728	24,948,096	21,368	11.78	
Banks										
Faysal Bank Limited	-	245,000	-	14,000	231,000	2,962,691	3,730,650	767,959	1.76	0.0221
Bank Alfalah Limited	413,500	319,500	-	382,000	351,000	8,671,757	9,652,500	980,743	4.55	0.0260
Bank AL Habib Limited	211,350	45,000	12,340	107,944	160,746	4,829,790	7,230,355	2,400,565	3.41	0.0145
BankIslami Pakistan Limited	335,000	-	-	335,000	-	-	-	-	-	-
Allied Bank Limited	-	28,000	2,050	30,050	-	-	-	-	-	-
Meezan Bank Limited	57,165	134,000	-	191,165	-	-	-	-	-	-
National Bank of Pakistan	7,425	-	-	7,400	25	1,028	1,556	528	0.00	0.0000
Sonari Bank Limited	125,500	-	-	125,500	-	-	-	-	-	-
United Bank Limited	33,700	114,000	-	85,800	61,900	9,636,914	10,433,849	796,935	4.92	0.0051
Habib Bank Limited	-	27,900	1,200	-	29,100	5,029,516	5,639,289	609,773	2.66	0.0020
Habib Metropolitan Bank	-	145,000	-	-	145,000	4,245,006	4,667,550	422,544	2.20	0.0138
						35,376,702	41,355,749	5,979,047	19.51	
Non life insurance										
Pakistan Reinsurance Company Limited	142,000	-	-	142,000	-	-	-	-	-	-
IGI Insurance Limited	-	33,900	-	-	33,900	6,913,593	7,719,708	806,115	3.64	0.0276
						6,913,593	7,719,708	806,115	3.64	
Total						176,045,575	200,576,352	24,530,777	94.64	
									Total	
									2014	2013
									----- (Rupees) -----	
Market value									200,576,352	111,486,104

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


Chief Executive Officer

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


Director

STATEMENT OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2014

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

Name of the Investee Company	(Number of shares)					Balance as at June 30, 2014			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company
	As at July 01, 2013	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2014	Cost	Market value	Appreciation		
						----- (Rupees) -----			%	%
Oil and gas producers										
Attock Petroleum Limited	346	-	69	415	-	-	-	-	-	-
Pakistan Oilfields Limited	4,354	-	-	4,354	-	-	-	-	-	-
Pakistan Petroleum Limited	12,436	35,000	387	12,823	35,000	7,914,134	7,851,900	(62,234)	3.70	0.0018
						<u>7,914,134</u>	<u>7,851,900</u>	<u>(62,234)</u>	<u>3.70</u>	
Forestry and paper										
Security Papers Limited	45,760	-	9,152	-	54,912	1,740,820	3,843,839	2,103,019	1.81	0.1112
Construction and materials										
Lucky Cement Limited	14,954	-	-	14,954	-	-	-	-	-	-
Electricity										
Hub Power Company Limited	24,145	-	-	24,145	-	-	-	-	-	-
Banks										
Bank Al-Habib Limited	36,556	-	-	36,556	-	-	-	-	-	-
Meezan Bank Limited	53,955	-	-	53,955	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total						<u>9,654,954</u>	<u>11,695,739</u>	<u>2,040,785</u>	<u>5.51</u>	

Total	
<u>2014</u>	<u>2013</u>
----- (Rupees) -----	
<u>11,695,739</u>	<u>15,239,713</u>

Market value

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

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



Chief Executive Officer



Director

STATEMENT OF OTHER INVESTMENTS AS AT JUNE 30, 2014

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

Name of investment	Face value				Balance as at June 30, 2014			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, 2013	Purchases during the year	Sales / matured during the year	As at June 30, 2014	Cost	Market value	Appreciation			

(Rupees)

Government Securities

Pakistan Investment Bonds	51,000,000	181,500,000	138,500,000	94,000,000	92,572,242	92,734,009	161,767	37.89	NA	NA
Market Treasury Bills	87,400,000	580,602,400	668,002,400	-	-	-	-	-	NA	NA
	138,400,000	762,102,400	806,502,400	94,000,000	92,572,242	92,734,009	161,767			

Term Finance Certificates

Standard Chartered Bank (Pakistan) Limited - TFC (May 18, 2012)	1,400	-	1,400	-	-	-	-	-	-	-
	1,400		1,400							

Total	
2014	2013
(Rupees)	
92,734,009	137,118,825
-	6,954,500
92,734,009	144,073,325

Market value of government securities
Market value of TFC

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

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



Chief Executive Officer



Director

STATEMENT OF OTHER INVESTMENTS AS AT JUNE 30, 2014

**PPF DEBT SUB-FUND
'AVAILABLE-FOR-SALE'**

Name of the investee company	Number of certificates				Balance as at June 30, 2014			Market value as a % of net assets of the sub-fund	Market value as a % of total investments	Percentage in relation to the total size of the issue
	As at July 01, 2013	Purchases during the year	Sales / matured during the year	As at June 30, 2014	Cost	Market value	Appreciation / (Diminution)			
							----- (Rupees)	%	%	%
Term finance certificates										
Bank Alfalah Limited										
TFC - IV (Floating) (Dec 09, 2009)	500	-	-	500	2,496,748	2,573,632	76,884	1.05	1.20	0.05
Sukuk bonds										
Pak Elektron Limited (Sep 28, 2007)	750	-	-	750	1,378,937	-	(1,378,937)	-	-	-
	1,250	-	-	1,250	3,875,685	2,573,632	(1,302,053)	1.05	1.20	
Government Securities										
Pakistan Investment Bonds	10,000,000	181,000,000	70,000,000	121,000,000	119,166,809	119,508,782	341,973	48.82	NA	NA
Government Ijarah Sukuk (3 years)	5,000,000	-	5,000,000	-	-	-	-	-	NA	NA
	15,000,000	181,000,000	75,000,000	121,000,000	119,166,809	119,508,782	341,973	48.82		

Total	
2014	2013
----- (Rupees) -----	
119,508,782	15,503,630
2,573,632	2,624,217
<u>122,082,414</u>	<u>18,127,847</u>

Market value of government securities
Market value of TFC and Sukuk bonds

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

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



Chief Executive Officer



Director

STATEMENT OF OTHER INVESTMENTS AS AT JUNE 30, 2014

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

Name of investment	Face value				Balance as at June 30, 2014			Market value as % of net assets
	As at July 01, 2013	Purchases during the year	Sales / maturities during the year	As at June 30, 2014	Cost	Market value	Appreciation	
----- (Rupees) -----								%
'At fair value through profit or loss'								
Market Treasury Bills	112,250,000	591,300,000	569,550,000	134,000,000	131,390,241	131,362,721	(27,520)	94.78
	<u>112,250,000</u>	<u>591,300,000</u>	<u>569,550,000</u>	<u>134,000,000</u>	<u>131,390,241</u>	<u>131,362,721</u>	<u>(27,520)</u>	<u>94.78</u>

Total	
2014	2013
----- (Rupees) -----	
<u>131,362,721</u>	<u>110,264,122</u>

Market value

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

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



Chief Executive Officer



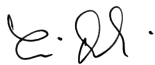
Director

**CONTRIBUTION TABLE
FOR THE YEAR ENDED JUNE 30, 2014**


	June 30, 2014							
	PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund		Total	Total
	Units	Rupees	Units	Rupees	Units	Rupees	(Rupees)	June 30, 2013 (Rupees)
Contributions net of front end fee								
Opening balance	683,253	63,815,403	1,060,373	134,160,840	670,540	83,291,602	281,267,845	218,419,308
Individuals - issue of units	258,436	63,051,060	529,165	90,363,277	224,745	39,422,813	192,837,150	95,500,697
- redemption of units	(163,814)	(37,661,047)	(195,298)	(32,977,485)	(125,743)	(22,086,664)	(92,725,196)	(32,652,160)
	94,622	25,390,013	333,867	57,385,792	99,002	17,336,149	100,111,954	62,848,537
Closing balance	777,875	89,205,416	1,394,240	191,546,632	769,542	100,627,751	381,379,799	281,267,845

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

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



Chief Executive Officer



Director

**STATEMENT OF NUMBER OF UNITS IN ISSUE
FOR THE YEAR ENDED JUNE 30, 2014**

	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund
	----- (Number of units) -----		
Total units outstanding at beginning of the year	683,253	1,060,373	670,540
Add: Units issued during the year	258,436	529,165	224,745
Less: Units redeemed during the year	(163,814)	(195,298)	(125,743)
Total units in issue at the end of the year	777,875	1,394,240	769,542

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

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



Chief Executive Officer



Director

FINANCIAL PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2014

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2014	June 30, 2013	%	June 30, 2014	June 30, 2013	%	June 30, 2014	June 30, 2013	%
	----- (Rupees) -----			----- (Rupees) -----			----- (Rupees) -----		
Net income after taxation	76,810,492	41,961,617	83	17,087,245	15,248,677	12	9,374,285	8,442,886	11
Realised capital (losses) / gains	41,592,055	18,774,605	122	(828,958)	2,303,880	(136)	12,764	22,388	(43)
Unrealised gains / (losses)	18,904,591	17,611,709	7	(125,201)	1,015,352	(112)	(27,520)	62,100	(144)
Reversal / (impairment loss) on available-for-sale investments	-	1,253,225	(100)	-	-	-	-	-	-
Dividend income / interest income	7,967,653	7,174,274	11	19,666,990	14,153,806	39	11,585,900	9,404,172	23
Net assets value per unit	272.49	182.15	50	175.56	163.83	7	180.10	168.08	7
Earnings per unit	110.56	66.45	66	14.86	17.32	(14)	13.24	14.34	(8)
Transactions in securities									
Purchases	298,624,552	194,247,219	54	927,927,700	875,896,414	6	577,917,963	741,259,497	(22)
Sales*	273,573,555	168,553,856	62	879,916,930	670,791,419	31	569,109,904	224,774,772	153
Total contribution received	63,051,060	21,233,162	197	90,363,277	46,299,501	95	39,422,813	27,968,034	41

* This includes maturity of Rs.330.3 million, Rs.1.0 million and Rs.5.0 million treasury bills, Pakistan investment bonds and GOP Ijara sukuks respectively in debt sub-fund and that of Rs.542.1 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) -----					
182.05	274.73	162.74	175.65	168.03	179.94

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 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 04, 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 07, 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 has been changed from Airf Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited

- 1.3** MCB-Arif Habib Saving and Investments Limited has been licensed to act as a Pension Fund Manager under VPS Rules through a certificate of registration issued by the SECP. The registered office of the Pension fund Manager is situated at Technocity Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4** Title to the assets of the Fund is held in the name 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'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

2.3 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments : Disclosures – (Amendments)

– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 – Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

2.4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 40 – Agriculture: Bearer Plants	January 01, 2016
IAS 19 - Employee Contributions	July 01, 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

The Fund expects that the adoption of the above amendments and interpretation of the standards will not affect the Fund's financial statements in the period of initial application.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2017

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets

3.1.1 Classification

The 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014 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, 2014**

June 30, 2014				June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

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

4. BALANCES WITH THE BANK

Savings accounts	6,357,437	20,274,394	8,005,657	34,637,488	6,308,019
	<u>6,357,437</u>	<u>20,274,394</u>	<u>8,005,657</u>	<u>34,637,488</u>	<u>6,308,019</u>

Savings accounts with the bank carry interest at the rates ranging from 7.00% to 7.25% (June 30, 2013: 8%) per annum.

June 30, 2014				June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

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

5. DEPOSITS AND OTHER RECEIVABLES

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	-	-	-	-	7,382,036
Other receivables	4,950	-	-	4,950	6,097
	<u>2,704,950</u>	<u>200,000</u>	<u>100,000</u>	<u>3,004,950</u>	<u>10,388,133</u>

June 30, 2014				June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

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

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for federal excise duty on remuneration of Pension Fund Manager (note 6.1)	458,576	561,842	357,638	1,378,056	55,535
Professional charges	-	-	-	-	110,658
Federal excise duty payable	-	-	-	-	7,392
Payable to sub-funds	-	-	-	-	7,382,036
Payable to auditors	87,754	105,665	66,581	260,000	374,965
Provision for Workers' Welfare Fund (note 7.1)	1,766,252	428,715	224,944	2,419,911	313,850
Payable against redemption of units	-	-	22,098	22,098	941
Others	140,490	17,064	325	157,879	73,624
	<u>2,453,072</u>	<u>1,113,286</u>	<u>671,586</u>	<u>4,237,944</u>	<u>8,319,001</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

6.1 The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 whereby Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by asset management companies. In this regard, a Constitutional Petition has been filed by certain collective investment schemes (CISs) and Pension Funds through their trustees in the Honourable High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision for FED and related taxes in these financial statements aggregating to Rs.1.378 million (June 30, 2013: Rs.0.048 million) as at June 30, 2014. In case the suit is decided against the Fund, the same would be paid to the Pension Fund Manager, who will be responsible for submitting it to the authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Asset Value (NAV) per unit of the Fund would have been higher by Re.0.59 in respect of equity sub fund, Re.0.40 in respect of debt sub fund and Re.0.46 in respect of money market sub fund as at June 30, 2014.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contribution to Workers' Welfare Fund

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

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

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

Further, in May 2014, the Honourable Peshawar High Court (the Court) stated that the impugned levy of contribution introduced in the Ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money Bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

However, as per the legal counsel the constitutional petition filed by the CIS to challenge the Workers' Welfare Fund contribution have not been affected by SHC judgment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The Pension Fund Manager as a matter of abundant caution has started making provision effective from May 10, 2013 in view of the afore mentioned developments and uncertainties created by the recent decision of the Honorable Sindh High Court. The unrecognised liability for the period from July 01, 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 (aggregating to Rs.2.561 million) respectively. Had the provision been made, the net asset value per unit of the Fund as at June 30, 2014 would have been lower by Rs.1.50 (June 30, 2013: Rs.1.75), Re.0.57 (June 30, 2013: Re.0.76) and Re.0.77 (June 30, 2013: Re.0.89) for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively. Moreover, provision against WWF as at June 30, 2014 amounts to Rs.1.766 million, Rs.0.429 million, Rs.0.225 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

7.2 There were no commitments outstanding as at June 30, 2014 (2013: 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 ON REMUNERATION OF PENSION FUND MANAGER

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

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.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

June 30, 2014				June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

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

13. AUDITORS' REMUNERATION

Audit fee	83,294	101,949	64,758	250,000	250,000
Half yearly review fee	41,647	50,974	32,379	125,000	125,000
Out-of-pocket expenses	12,772	15,633	9,930	38,335	24,761
	137,713	168,556	107,067	413,335	399,761
Add: Sales tax on remuneration	4,998	6,117	3,885	15,000	-
	142,710	174,673	110,952	428,335	399,761

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

June 30, 2014				June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

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

Market value	11,695,739	122,082,414	-	133,778,153	33,367,560
Average cost	(9,654,954)	(123,042,494)	-	(132,697,448)	(26,373,701)
Impairment loss					
Opening	-	-	-	-	1,253,225
Charged / (reversed) during the year	-	-	-	-	(1,253,225)
	-	-	-	-	-
Surplus / (deficit) net of impairment loss	2,040,785	(960,080)	-	1,080,705	6,993,859
Provision against debt securities					
Opening	-	1,510,607	-	1,510,607	366,270
Charged during the year	-	-	-	-	1,144,337
	-	1,510,607	-	1,510,607	1,510,607
Net unrealised appreciation in the fair value of investments at the beginning of the year	(7,666,971)	(837,495)	-	(8,504,466)	(5,755,911)
Appreciation / (diminution) during the year	(5,626,186)	(286,968)	-	(5,913,154)	2,748,555

15. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2014 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, 2014		
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
Weighted average number of units	694,765	1,150,236	708,113
Net income after taxation	76,810,492	17,087,245	9,374,285
Earnings per unit	110.56	14.86	13.24

16. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include MCB-Arif Habib Savings 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 Savings 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014				Year ended June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

(Rupees)

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

Remuneration including indirect tax	2,813,783	3,445,030	2,189,327	8,448,140	5,722,216
Redemption of PPF equity sub Fund 47,804 units (2012: Nil)	11,100,000	-	-	11,100,000	-

Year ended June 30, 2014				Year ended June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

(Rupees)

Habib Metropolitan Bank Limited - Trustee

Remuneration	269,189	330,197	210,077	809,463	599,362
Mark-up earned during the year	379,133	359,198	271,604	1,009,935	939,582
Bank Charges	2,233	7,181	5,418	14,832	17,746

Directors and officers

Issue of 8,990 units of PPF Equity sub - fund (2013: 21,445 units)	2,138,043	-	-	2,138,043	3,613,923
Issue of 19,150 units of PPF Debt sub - fund (2013: 45,940 units)	-	3,220,694	-	3,220,694	7,155,009
Issue of 19,756 units of PPF Money Market sub - fund (2013: 48,330 units)	-	-	3,412,312	3,412,312	7,698,889
Redemption of 14,077 units of PPF Equity sub - fund (2013: 33,792 units)	2,942,120	-	-	2,942,120	4,656,854
Redemption of 11,377 units of PPF Debt sub - fund (2013: 56,173 units)	-	1,936,078	-	1,936,078	8,667,519
Redemption of 10,375 units of PPF Money Market sub - fund (2013: 46,827 units)	-	-	1,850,267	1,850,267	7,474,459

16.2 Amounts outstanding as at the year end

As at June 30, 2014				As at June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

(Rupees)

MCB-Arif Habib Savings and Investments Limited Pension Fund Manager

Remuneration payable	261,944	278,765	163,007	703,716	494,395
Sindh sales tax payable	41,911	44,602	26,081	112,594	79,103
Investment of 252,196 units as seed capital in each sub-fund (2013: 300,000)	68,720,185	-	-	68,720,185	54,646,213
Investment of 300,000 units as seed capital in each sub-fund (2013: 300,000)	-	52,667,885	54,029,261	106,697,146	99,573,225

Habib Metropolitan Bank Limited - Trustee

Remuneration payable	27,890	29,681	17,354	74,925	58,070
Balances with the bank	6,357,437	20,274,394	8,005,657	34,637,488	6,309,019
Mark-up receivable	37,547	30,684	43,243	111,474	61,335

Directors and officers

Investment in PPF Equity sub - fund 31,574 units (2013: 36,787 units)	8,603,511	-	-	8,603,511	6,700,752
Investment in PPF Debt sub - fund 32,029 units (2013: 24,290 units)	-	5,622,999	-	5,622,999	3,979,431
Investment in PPF Money Market sub - fund 22,631 units (2013: 13,250 units)	-	-	4,075,787	4,075,787	2,227,060

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

17. FINANCIAL RISK MANAGEMENT

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

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Risk of the Fund 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, 2014, 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, 2014 and net income for the year then ended would have been higher / lower by Rs. 0.095 million (2013: Rs. 0.011 million).

b) Money Market Sub-Fund and Debt Sub-Fund holds Pakistan Investment Bonds 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 MUFAP (Mutual Funds Association of Pakistan) on June 30, 2014, 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. 2.15 million (2013: Rs. 2.69 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, 2014 and net income for the year then ended would have been higher / lower by Rs. 0.346 million (2013: Rs. 0.053 million).

The composition of the Fund's investment portfolio, KIBOR rates, rates announced by Reuters and rates announced by MUFAP are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 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
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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.

	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND June 30, 2014				PPF MONEY MARKET SUB-FUND				
	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		
	Upto three months	More than three months and up to one year	Upto three months	More than three months and up to one year	Upto three months	More than three months and up to one year	Upto three months	More than three months and up to one year	Upto three months	More than three months and up to one year	Upto three months	More than three months and up to one year	
Total													
On-balance sheet financial instruments													
Financial assets													
Balances with banks	34,637,488	6,357,437	-	-	20,274,394	-	-	-	-	8,005,657	-	-	-
Investments	558,451,235	-	212,272,091	-	2,573,632	212,242,791	-	-	-	-	-	-	131,362,721
Dividend receivable	182,409	-	182,409	-	-	-	-	-	-	-	-	-	-
Interest receivable	11,093,118	-	37,547	-	-	-	11,012,328	-	-	-	-	-	43,243
Deposits and other receivables	3,004,950	-	2,704,950	-	-	-	200,000	-	-	-	-	-	100,000
	607,369,200	6,357,437	-	-	215,196,997	20,274,394	2,573,632	212,242,791	11,212,328	8,005,657	-	-	131,505,964
Financial liabilities													
Payable to Pension Fund Manager	816,310	-	-	-	303,855	-	-	-	323,367	-	-	-	189,088
Payable to Habib Metropolitan Bank Limited - Trustee	74,925	-	-	-	27,890	-	-	-	29,681	-	-	-	17,354
Payable against purchase of equity securities	6,756,000	-	-	-	6,756,000	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	439,977	-	-	-	228,244	-	-	-	122,729	-	-	-	89,004
	8,087,212	-	-	-	7,315,989	-	-	-	475,777	-	-	-	295,446
On-balance sheet gap	599,281,988	6,357,437	-	-	207,881,008	20,274,394	2,573,632	212,242,791	10,736,551	8,005,657	-	-	131,210,518
Total interest rate sensitivity gap	599,281,988	6,357,437	-	-	207,881,008	20,274,394	2,573,632	212,242,791	10,736,551	8,005,657	-	-	131,210,518
Cumulative interest rate sensitivity gap	6,357,437	6,357,437	6,357,437	214,238,445	20,274,394	22,848,026	235,090,817	245,827,368	8,005,657	8,005,657	8,005,657	8,005,657	139,216,175

There is no off-balance sheet financial instrument that exists as at the year ended June 30, 2014.

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	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND June 30, 2013				PPF MONEY MARKET SUB-FUND				
	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	More than one year	Up to three months	More than three months and up to one year	More than one year	More than one year	Up to three months	More than three months and up to one year	More than one year	More than one year	
Total													
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	-
	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	573,498	-	-	187,061	-	-	-	232,469	-	-	-	153,968	-
Payable to Habib Metropolitan Bank Limited - Trustee	58,070	-	-	18,941	-	-	-	23,539	-	-	-	15,590	-
Accrued expenses and other liabilities	7,949,617	-	-	7,584,389	-	-	-	221,240	-	-	-	143,988	-
	8,581,185	-	-	7,790,391	-	-	-	477,248	-	-	-	313,546	-
On-balance sheet gap	411,363,361	2,142,728	-	122,562,847	3,055,851	5,012,000	9,578,717	156,228,499	1,109,440	-	-	111,673,279	-
Total interest rate sensitivity gap	411,363,361	2,142,728	-	122,562,847	3,055,851	5,012,000	9,578,717	156,228,499	1,109,440	-	-	111,673,279	-
Cumulative interest rate sensitivity gap	2,142,728	2,142,728	2,142,728	173,875,067	173,875,067	173,875,067	173,875,067	173,875,067	173,875,067	173,875,067	173,875,067	173,875,067	173,875,067

There is no off-balance sheet financial instrument that exists as at the year ended June 30, 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. 10.09 million (2013: Rs. 6.10 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, 2014 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) and Sukuk bonds 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 and Sukuk bonds as a result of 1% increase in effective yield as on June 30, 2014, the net assets relating to the Debt Sub-Fund and total net assets of the Fund would increase / decrease by Rs. 0.095 million (2013: Rs. 0.011 million) as a result of gains / losses on TFCs and Sukuk bonds 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, 2014 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.

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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, 2014 and June 30, 2013 is the carrying amounts of following financial assets.

As at June 30, 2014					As at June 30, 2013
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total		
----- (Rupees) -----					
Balances with banks	6,357,437	20,274,394	8,005,657	34,637,488	6,308,019
Investments	212,272,091	214,816,423	131,362,721	558,451,235	399,191,110
Dividend receivable	182,409	-	-	182,409	907,040
Interest receivable	37,547	11,012,328	43,243	11,093,118	3,150,244
Deposits and other receivables	2,704,950	200,000	100,000	3,004,950	10,388,133
	221,554,434	246,303,145	139,511,621	607,369,200	419,944,546

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2014 and June 30, 2013:

Bank balances by rating category	Rating Agency	Rating Long-term / Short-term	2014 ----- (Rupees) -----	2013
Habib Metropolitan Bank Limited	PACRA	AA+ / A1+	34,637,488	6,308,019
Term Finance Certificates by rating category				
AAA	PACRA		0.00%	72.60%
AA	PACRA		0.00%	0.00%
AA-	PACRA		100.00%	27.40%
Unrated	-		0.00%	0.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2014 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, 2014

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.

	PPF EQUITY SUB-FUND			PPF DEBT SUB-FUND			PPF MONEY MARKET SUB-FUND		
	June 30, 2014								
	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
Total									

(Rupees)

Liabilities

Payable to Pension Fund Manager	816,310	303,855	-	-	323,367	-	-	189,088	-	-
Payable to Habib Metropolitan Bank Limited - Trustee	74,925	27,890	-	-	29,681	-	-	17,354	-	-
Payable against purchase of equity securities	6,756,000	6,756,000	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	439,977	228,244	-	-	122,729	-	-	89,004	-	-
	8,087,212	7,315,989	-	-	475,777	-	-	295,446	-	-

	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
Total									

(Rupees)

Liabilities

Payable to Pension Fund Manager	573,498	187,061	-	-	232,469	-	-	153,968	-	-
Payable to Habib Metropolitan Bank Limited - Trustee	58,070	18,941	-	-	23,539	-	-	15,590	-	-
Accrued expenses and other liabilities	7,949,617	7,584,389	-	-	221,240	-	-	143,988	-	-
	8,581,185	7,790,391	-	-	477,248	-	-	313,546	-	-

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17.4 Financial instruments by category

	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND June 30, 2014				PPF MONEY MARKET SUB-FUND			
	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
Financial assets												
Balances with banks	34,637,488	-	-	6,357,437	20,274,394	-	-	20,274,394	8,005,657	-	-	8,005,657
Investments	558,451,235	200,576,352	11,695,739	212,272,091	-	92,734,009	122,082,414	214,816,423	-	131,362,721	-	131,362,721
Dividend receivable	182,409	-	-	182,409	-	-	-	-	-	-	-	-
Interest receivable	11,093,118	-	-	37,547	11,012,328	-	-	11,012,328	43,243	-	-	43,243
Deposits and other receivables	3,004,950	-	-	2,704,950	200,000	-	-	200,000	100,000	-	-	100,000
	607,369,200	200,576,352	11,695,739	221,554,434	31,486,722	92,734,009	122,082,414	246,303,145	8,148,900	131,362,721	-	139,511,621

	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND June 30, 2014				PPF MONEY MARKET SUB-FUND			
	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Sub-total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Sub-total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Sub-total
Financial liabilities												
Payable to Pension Fund Manager	816,310	-	303,855	303,855	-	-	323,367	323,367	-	-	-	189,088
Payable to Habib Metropolitan Bank Limited - Trustee	74,925	-	27,890	27,890	-	-	29,681	29,681	-	-	-	17,354
Payable against purchase of equity securities	6,756,000	-	6,756,000	6,756,000	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	439,977	-	228,244	228,244	-	-	122,729	122,729	-	-	-	89,004
	8,087,212	-	7,315,989	7,315,989	-	-	475,777	475,777	-	-	-	295,446

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17.4 Financial instruments by category

	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND				PPF MONEY MARKET SUB-FUND			
	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
Financial assets	Rupees											
Balances with banks	2,142,728	-	-	2,142,728	3,055,851	-	-	3,055,851	1,109,440	-	-	1,109,440
Investments	-	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	-	-	-	-	-	-	-	-
Interest receivable	14,285	-	-	14,285	3,109,107	-	-	3,109,107	26,852	-	-	26,852
Deposits and other receivables	2,706,097	-	-	2,706,097	5,986,185	-	-	5,986,185	1,695,851	-	-	1,695,851
Total	419,944,546	111,486,104	15,239,713	132,495,966	12,151,143	144,073,325	18,127,847	174,352,315	2,832,143	110,264,122	-	113,096,265
	Rupees											
	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND				PPF MONEY MARKET SUB-FUND			
	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	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total
Financial liabilities	Rupees											
Payable to Pension Fund Manager	-	205,152,205,152	-	-	-	255,006,255,006	-	-	-	-	168,875	168,875
Payable to Habib Metropolitan Bank Limited - Trustee	-	18,941	18,941	-	-	23,539	23,539	-	-	-	15,590	15,590
Accrued expenses and other liabilities	-	7,576,996	7,576,996	-	221,240,221,240	143,988	143,988	-	-	-	143,988	143,988
Total	8,629,327	7,801,089	7,801,089	7,801,089	499,785,499,785	328,453	328,453	328,453	328,453	328,453	328,453	328,453

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014										
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	
----- (Rupees) -----										
Assets										
Investment in securities -										
'At fair value through profit or loss'	424,673,082	200,576,352	-	-	-	92,734,009	-	-	131,362,721	-
'Available for sale'	133,778,153	11,695,739	-	-	-	122,082,414	-	-	-	-
	558,451,235	212,272,091	-	-	-	214,816,423	-	-	131,362,721	-

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	
----- (Rupees) -----										
Assets										
Investment in securities -										
'At fair value through profit or loss'	150,235,699	111,486,104	-	-	-	144,073,324	-	-	110,264,122	-
'Available for sale'	104,050,601	15,239,713	-	-	-	18,127,847	-	-	-	-
	254,286,300	126,725,817	-	-	-	162,201,171	-	-	110,264,122	-

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.

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.

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on 28 July, 2014.

21. GENERAL

Figures have been rounded off to the nearest Rupee.


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


 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

Head Office: 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: 11-11-622-24 (11-11-MCB-AH): Karachi, Lahore, Islamabad.

UAN: 111-468-378 (111-INVEST): Karachi, Lahore, Islamabad & Multan.

***BACHAT CENTER:** 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908

URL: www.mcbah.com, Email: info@mcbah.com