

PAKISTAN ISLAMIC PENSION FUND

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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.

PAKISTAN ISLAMIC PENSION FUND FUND'S INFORMATION

Pension Fund Manager	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
Human Resource Committee	Dr. Salman Shah Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Haroun Rashid Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Financial Officer	Mr. Muhammad Saqib Saleem	
Trustee	Habib Metro Bank Limited 8th Floor, HBZ Building I.I. Chundrigar Road, Karachi.	
Bankers	Habib Metro Bank Limited Bank Al-Falah Limited MCB Bank Limited United Bank Limited	
Auditors	M . Yousuf Adil Saleem & Co. - Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	

PAKISTAN ISLAMIC PENSION FUND REPORT OF THE DIRECTOR OF THE FUND MANAGEMENT COMPANY FOR THE PERIOD ENDED JUNE 30, 2012

The board of Directors of Arif Habib Investment Limited, the Management Company of Pakistan Islamic Pension Fund (PIPF), is pleased to present the Annual Report on the affairs of PIPF for the year ended June 30, 2012.

Economy & Money Market Overview and Outlook

Despite continued macro-economic challenges throughout the period, the year under review (July '11-June '12) could be classified as a mixed bag for the economy and capital markets as some of the key macroeconomic indicators have depicted positive trend during the period under review despite having burgeoning fiscal challenges.

The external account, which was the top performing sector during the previous year, couldn't maintain its positive trend during FY12 owing to widening trade deficit on the back of lower cotton and higher oil prices despite having record-high workers' remittances. During the year, export dipped by 3% while imports grew by 12% causing the overall trade deficit to widen to around US\$ 15.4 billion, 46% higher YoY. Despite record-high level of workers' remittances flow of US\$ 13.2 billion, higher trade and income deficit caused the current account balance to post a deficit of US\$ 4.5 billion as against a surplus of US\$ 214 million last year. Given higher current account deficit coupled with meager financial account flows, country's balance of payment position declined significantly during the year by around US\$ 3.3 billion - taking the FX reserves down to a level of US\$ 15.3 billion, while also causing sizeable depreciation of 10% in the PKR-USD exchange rate during the year.

Inflationary pressures, on the other hand, have remained largely on the lower side during the period with YoY CPI Inflation averaging 11.0% amid change in CPI methodology as well as high base-effect of last year. Moreover, real economy has shown a relatively improved picture during the year with FY12 real GDP growth stood at 3.7%, slightly higher than the revised GDP growth of 3.0% during the last year.

Fiscal indiscipline continued to remain a cause of concern for the economic managers as the country is expected to witness a higher deficit of over 8% of the GDP during FY12 (including one-off circular debt adjustments). Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 895 billion, 4.3% of the GDP. Although growth in tax revenue collection has been strong, lower non-tax revenue on the back of non-realization of CSF proceeds coupled with higher current expenditure has been the chief reason behind ballooning fiscal deficit. Unfortunately, development expenditure is expected to be under-spent for yet another year to meet revised fiscal deficit targets. In addition of having a higher fiscal deficit, the financing mix is also alarming as the country had to resort to domestic sources of funding to a large extent in the absence of sizeable foreign flows during the period under review. Government borrowing from Central Bank has gone up by Rs. 508 billion during FY12, which is staggering 44% of total outstanding stock.

Considering the volatility in the macroeconomic variables, the State Bank of Pakistan has also altered its monetary stance at least twice during the year. Given benign YoY CPI Inflation coupled with lower GoP borrowing from SBP as well as contained external current account deficit during the earlier part of the year, the SBP cut its policy discount rate cumulatively by 200 bps to 12.0%. However, gradual deterioration in the macro-economic environment lately has compelled the central bank to keep its policy DR unchanged for the next 4 policies during the latter part of the year. Due to an overall relatively lower interest rate environment, 1 year PKRV averaged at around 12.4% during FY12, much lower than the average 13.4% a year ago.

During FY12, key monetary indicators have shown reasonable improvement with money supply (M2) posting a strong growth of 14.4%. Although Net Domestic Asset (NDA) growth has been a key contributor behind M2 growth during this year as well, sizeable YoY decline of 32% in Net Foreign Assets (NFA) has been very alarming - also reflecting weak BOP position.

Significant credit demand by the government coupled with an attractive risk-return profile has kept government papers a very attractive investment vehicle for the investors during this year also. However, in absence of new credit creation, existing Term Finance Certificates (TFC) market became liquid and bank issued TFCs continued to command improvement in prices during the period under review. Moreover, GoP Ijarah Sukuk (GIS), like previous year, has remained an attractive instrument during the year for conventional markets in general and Shariah compliant markets in particular. In addition of giving strong interest yield, GIS has also provided potential for capital gains due to its demand-supply gap and therefore has seen significant activities during this year also in both primary as well as secondary markets.

Although medium term macroeconomic picture remains gloomy, benign CPI inflation trend coupled with the release of US\$ 1.18 billion under Coalition Support Fund by the US does provide a short term breather thereby creates a potential room for monetary easing by the State Bank of Pakistan in the upcoming monetary policy announcement. We continue to emphasize that the realization of sizeable foreign inflows holds the key in rejuvenating economic engine, while a potential return to IMF program in the next 6-8 months would adversely affect the liquidity and interest rate scenario.

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

Equities Market Overview and Outlook

The local bourses gave an average performance with the KSE-100 index rising by about 10% in FY12 as against 29% return posted in FY11. Pakistan equity market, however, remained the 3rd best performing market in the region this year as well after Philippines and Thailand.

KSE-100 Index made a depressing start with market shedding 13% during the first couple of months and made the yearly bottom at around 10,800 levels. Alongside negative returns, the market continued to remain dull with consistently low turnover throughout the period remained indicative of investor's shyness towards equity asset class. Even a cumulative cut of 200 bps in DR by the SBP during the first half failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors. Global equities market went down significantly during the quarter, which also had an adverse impact on emerging and frontier markets including Pakistan. Other resistive forces that played a dampening role for the market were political unrest, worsened law and order situation, strained Pak-US relations, floods in Sindh and energy crisis. Foreigners were net seller during the first half with an outflow of US\$ 151 million.

PAKISTAN ISLAMIC PENSION FUND

REPORT OF THE DIRECTOR OF THE FUND MANAGEMENT COMPANY

FOR THE PERIOD ENDED JUNE 30, 2012

After a depressing first half, the Capital Gains Tax amnesty came as a piece of fortune to the investors at the local equities market and the KSE-100 index surged by 22% during the latter half of the year under review. The expectation of relieving CGT also waved a magic wand on the volumes too where 2HFY12 saw buoyant volumes while marking a 33-month high at 577mn shares traded in a day. Participation from retail investors also returned to the market during the latter part of this year where mid and small-cap stocks remained the highlights of market activities lately. After a significant sell-off during the first half, foreigners' also jumped on to the bandwagon during the latter half with a net inflow of US\$ 62 million.

Macro economic factors remained challenging the KSE performance included sustained high oil and declining cotton prices resulting in higher trade deficit, lack of foreign flows as well IMF repayments depleted FX reserves and caused PKR to depreciate against the US\$ by around 10%. On the positive front, the SBP remained in a monetary easing cycle with a cumulative reduction of 200 bps in the policy discount rate during the year- improving the fundamentals of debt-laden companies.

Sector wise, Cements, Power and Autos outperformed the KSE-100 index while sectors like Chemicals, Textiles and Refineries remained among the underperformers. Best performing stocks included EFOODS, MEBL, BAFL, and DGKC.

We believe that the political arena would turn noisy on the back of election year ahead as well as continued confrontation between government and judiciary. Global economic environment would remain jittery in the near term, which could provide further hiccups to the international as well as local equity markets. However, expectation of monetary easing by the SBP in the upcoming monetary policy on the back of benign inflation as well as release of CSF payment should support the bull-run in the market in the near term while any major deterioration in key macro-indicators going forward could have a toll on the market performance. Strong earnings growth, sizeable discount to regional markets, high dividend yield and relatively cheaper PE valuations warrant decent returns for long term investors in our view.

Fund's Performance

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

During the year, equity sub-fund generated a return of 24.7% while it's since inception return stands at 35.6%. Money market sub-fund generated an annualized return of 8.3% and it's since inception return stands at 7.6%. Debt sub-fund generated an annualized return of 8.4% during the year while since inception return of the fund stands at 10.0%.

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

Performance Information (%)	Equity	Debit	Money Market
Last twelve Months Return	24.7%	8.4%	8.3%
Since Inception	35.6%	10.0%	7.6%

Equity sub-fund

The net assets of the sub-fund as at June 30, 2012 stood at 54.07 million as compared to Rs 40.36 million at the beginning of the year, registering a positive change of 33.96%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 135.91 as compared to Rs 108.97 at the beginning of the year, registering an increase of Rs 26.94 per unit.

Debt sub-fund

The net assets of the sub-fund as at June 30, 2012 stood at Rs 60.43 million as compared to Rs 47.45 million at the beginning of the year, registering a positive change of 27.35%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 147.11 as compared to Rs 135.67 at the beginning of the year, registering an increase of Rs 11.44 per unit.

Money Market sub-fund

The net assets of the sub-fund as at June 30, 2012 stood at Rs 46.83 million as compared to Rs 39.57 million at the beginning of the year, registering a positive change of 18.35%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 135.81 as compared to Rs 125.33 as at the beginning of the year, registering an increase of Rs 10.48 per unit.

Earning per Unit (EPU)

EPU of the sub funds for the year ended June 30, 2012 are as follows:

Sub-Fund	EPU (Rs)
Equity	26.34
Debt	14.82
Money Market	11.16

PAKISTAN ISLAMIC PENSION FUND REPORT OF THE DIRECTOR OF THE FUND MANAGEMENT COMPANY FOR THE PERIOD ENDED JUNE 30, 2012

Update on Workers' Welfare Fund

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

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

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

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

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

The aggregate unrecognised amount of WWF as at June 30, 2012 is as follows.

Sub-Fund	Rs. in million
Equity	0.330
Debt	0.274
Money Market	0.179

External Auditors

The Fund's external auditors, M. Yousuf Adil Saleem & Co., Chartered Accountants, have expressed their willingness to continue as the Fund auditors for the ensuing year ending June 30, 2013. The audit committee of the Board has recommended reappointment of M. Yousuf Adil Saleem & Co., Chartered Accountants, as auditors of the Fund for the year ending June 30, 2013.

Acknowledgement

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

For and on behalf of the board

Yasir Qadri
Chief Executive

Karachi: August 15, 2012

PAKISTAN ISLAMIC PENSION FUND REPORT OF THE FUND MANAGER

Fund Type and Category

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

Investment Objective

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

Investment Strategy

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

Manager's Review

Equity Sub-fund

During the year, equity sub-fund generated a return of 24.7% as against KMI-30 index return of 11.0%. As of end-June 2012, about 65% exposure was in five sectors namely Oil & Gas, Construction & Materials, Electricity, General Industrials and Pharma & Bio Tech. LUCK, MTL, MEBL were amongst the major return contributors while PSO and PTC were major return dampeners.

Sector-wise, the equity sub-fund increased its exposure within Construction & Materials from 7% at the beginning of the year to around 12.5% by end-June 2012 by increasing its holding in LUCK during the year amid strong earnings growth expectations. The exposure towards Pharma & Bio Tech sector was also increased during the year to 9.3% as of end-June 2012 from 1.5% at the beginning of the year while the exposure towards Chemicals, however, was reduced from around 13% to around 7% by end-June 2012 as the fund reduced its holdings in FFBL.

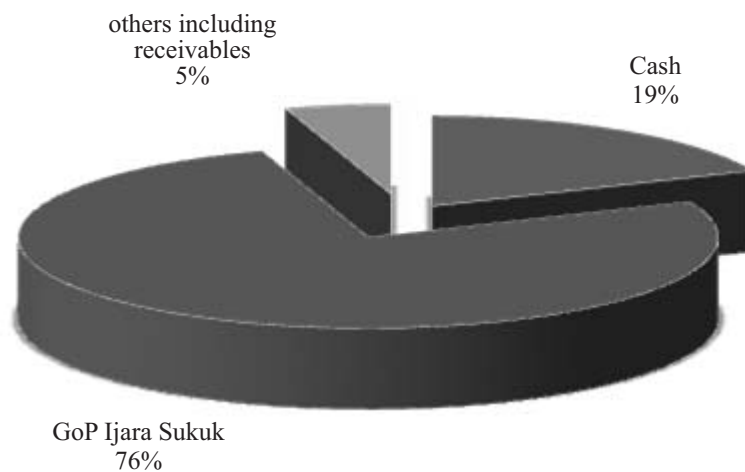
Money Market Sub-fund

The money market sub-fund made an annualized return of 8.3% during the year. The sub-fund increased its exposure significantly in GoP Ijarah Sukuk (GIS) to around 77% by end-June 2012 as against 50% at the beginning of the year. The exposure towards cash and bank deposits was, however, reduced to around 19% by end-June 2012 as against 46% a year ago. The net assets of the sub-fund increased to around Rs. 46.83 million by end-June 2012 as against Rs. 39.57 million at the beginning of the year.

Debt Sub-fund

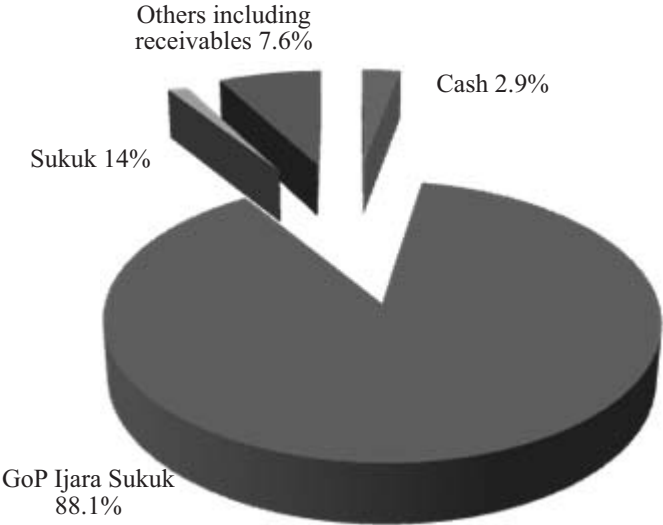
The debt sub-fund generated an annualized return of 8.4% during the year. The sub-fund was largely invested in GoP Ijarah Sukuk (GIS) due to its attractive risk-return profile and capital gains potential. The sub-fund maintained an exposure around 88% in GoP Ijarah Sukuk as of end-June 2012. The net assets of the sub-fund increased to Rs. 60.43 million as against Rs. 47.45 million at the beginning of the year.

Asset Allocation (MM Sub-fund) as on June 30, 2012 (% of total assets)

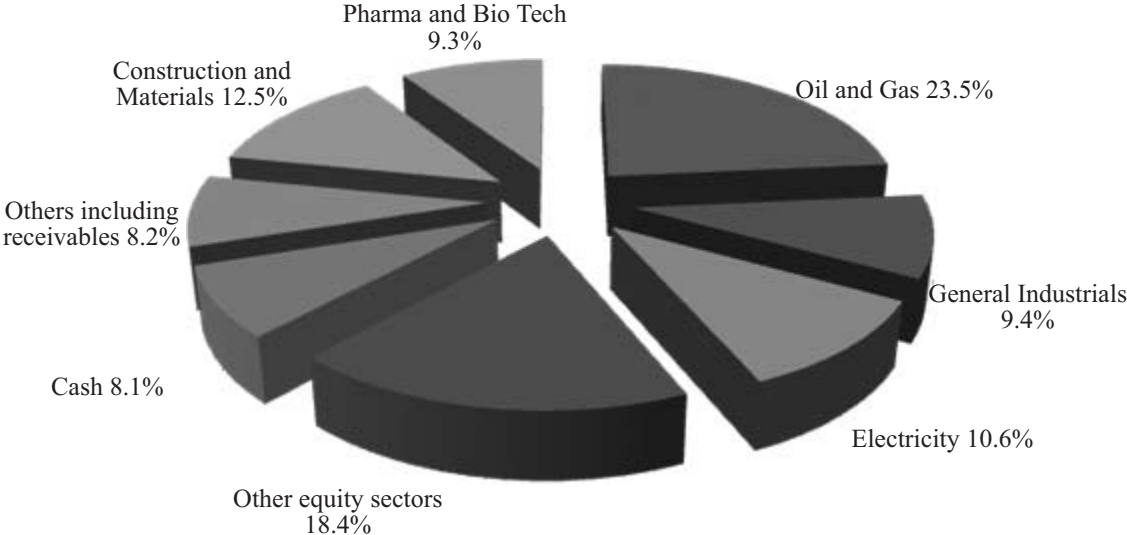


**PAKISTAN ISLAMIC PENSION FUND
REPORT OF THE FUND MANAGER**

Asset Allocation (Debt Sub-fund) as on June 30, 2012 (% of total assets)



Asset Allocation (Equity Sub-fund) as on June 30, 2012 (% of total assets)



Syed Akbar Ali, CFA
Fund Manager

Karachi: August 15, 2012

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



Habib Metropolitan Bank Ltd.

(Subsidiary of Habib Bank AG Zurich)

TRUSTEE DIVISION: HBZ PLAZA 8TH FLOOR, I.I. CHUNDRIGAR ROAD, KARACHI, PAKISTAN.

TRUSTEE REPORT TO THE PARTICIPANTS

PAKISTAN ISLAMIC PENSION FUND

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

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

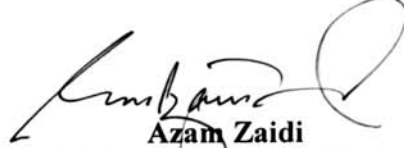
As per amendatory trust deed of change of trustee dated June 16, 2011 MCBFSL retired as the Trustee and Habib Metropolitan Bank Limited was appointed as the Trustee of the Fund.

In our opinion, the Pension Fund Manager has in all material respects managed the Fund during the year ended 30 June 2012 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, the attention is drawn to note 7.1 to the financial statements, which refer to an uncertainty relating to the future outcome of the litigation regarding contribution to Workers' Welfare Fund, which is currently pending adjudication at the Honorable High Court of Sindh.

Karachi: September 18, 2012


Azam Zaidi
Senior Executive Vice President
Habib Metropolitan Bank Limited

PAKISTAN ISLAMIC PENSION FUND REPORT OF THE SHARIAH ADVISOR

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

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

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

For Debt & Money Market sub funds, I have prescribed a criteria and procedures to tbe followed in ensuring shariah comliance in every investment.

As part of my ,andate as shariah Advisor, I have reviewed the following during the period;

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

In the light of the above scope, I hereby certify that all the provisions of the scheme and investments made by the Fund (Including all three sub funds) for the period ended 30th June 2012 are in compliance with the shariah principles.

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

During the year an amount of Rs. 11,613 was transferred from PIPF Equity Sub Fund tothe eharity account. The total amount of charity payable as of June 30, 2012 amounts to Rs. 68,886.

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

Dr. Ejaz Ahmed Samadani
For and behalf of Shariah Advisory Council

Karachi: 15th August 2012

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

Deloitte.

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

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Web: www.deloitte.com

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

We have performed our independent assurance engagement of Pakistan Islamic Pension Fund (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Adviser of Pakistan Islamic Pension Fund for the year ended June 30, 2012.

Management Company's responsibility

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

Responsibility of independent assurance providers

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

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

Conclusion

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund for the year ended June 30, 2012.


Chartered Accountants

Karachi

Date: September 24, 2012

Member of
Deloitte Touche Tohmatsu Limited

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

Deloitte.

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

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

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

We have audited the annexed financial statements comprising:

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

of **Pakistan Islamic Pension Fund** as at June 30, 2012 together with the notes forming part thereof for the year then ended.

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

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

PAKISTAN ISLAMIC PENSION FUND
AUDITORS' REPORT TO THE PARTICIPANTS

Deloitte.

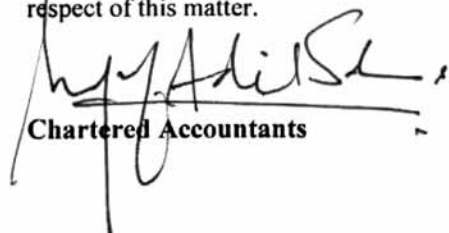
M. Yousuf Adil Saleem & Co
Chartered Accountants

In our opinion:

- a. the financial statements prepared for the year have been properly drawn up in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b. a true and fair view is given of the financial position of the Islamic Pension Fund as at June 30, 2012 and of the transaction of the Fund for the year ended June 30, 2012 in accordance with the approved accounting standards as applicable in Pakistan:
- c. the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d. the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Islamic Pension Fund;
- e. proper books and records have been kept by the Fund and the financial statements prepared are in agreement with the Islamic Pension Fund's books and records;
- f. we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g. no Zakat was deductible at source under the Zakat Ushr Ordinance, 1980.

Emphasis of matter

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


Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Dated: 15 AUG 2012
Karachi

Member of
Deloitte Touche Tohmatsu

FINANCIAL STATEMENTS

PAKISTAN ISLAMIC PENSION FUND

BALANCE SHEET

AS AT JUNE 30, 2012

Note	2012				2011	
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total		
-----Rupees-----						
ASSETS						
Balances with banks	4	4,562,656	1,736,204	8,737,112	15,035,972	24,519,836
Investments - (as per Statement of Investment by category)		47,263,841	54,350,379	36,016,800	137,631,020	99,869,645
Dividend receivable		422,818	-	-	422,818	202,960
Profit receivable		17,365	1,126,911	801,763	1,946,039	2,466,602
Deposit and other receivables	5	4,234,917	3,545,825	1,530,165	9,310,907	2,951,927
Total assets		56,501,597	60,759,319	47,085,840	164,346,756	130,010,970
LIABILITIES						
Payable against redemption of units		37,093	8,571	-	45,664	1,914,352
Payable to Pension Fund Manager		75,699	81,105	64,550	221,354	156,706
Payable to Trustee		8,545	9,157	7,288	24,990	20,672
Annual fee payable to the Securities and Exchange Commission of Pakistan		14,793	16,782	13,780	45,355	39,374
Payable to Auditors		105,649	120,424	99,003	325,076	299,936
Other liabilities	6	2,191,747	96,346	69,780	2,357,873	199,807
Total liabilities		2,433,526	332,385	254,401	3,020,312	2,630,847
NET ASSETS		54,068,071	60,426,934	46,831,439	161,326,444	127,380,123
Participants Sub-Funds (as per Statement of Movement in Participants' sub-funds)		54,068,071	60,426,934	46,831,439		
Contingencies and commitments	7					
-----Number of units-----						
Number of Units in issue		397,822	410,753	344,835		
-----Rupees-----						
Net Asset Value per unit		135.91	147.11	135.81		

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN ISLAMIC PENSION FUND

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

Note	2012				2011
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
INCOME					
Rupees					
Capital Gain on sale of Investments	7,771,770	56,250	48,000	7,876,020	2,364,542
Dividend Income	2,827,029	-	-	2,827,029	2,370,585
Income from Government Ijarah Sukuks	-	5,567,017	2,866,026	8,433,043	6,252,680
Income from Certificates of Investment	-	-	-	-	1,046,793
Income from Term Deposit Receipts	-	-	808,241	808,241	120,063
Income from Sukuk Certificates	-	60,516	-	60,516	327,208
Profit on deposit accounts with bank	92,017	287,189	840,037	1,219,243	1,023,662
Unrealised gain / (loss) on revaluation of investments classified as 'at fair value through profit or loss' - net	472,688	(4,250)	(18,000)	450,438	-
Impairment loss on listed equity securities classified as "available for sale"	14.1 (371,355)	-	-	(371,355)	(1,868,624)
Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed	426,928	737,361	287,823	1,452,112	549,393
Total Income	11,219,077	6,704,083	4,832,127	22,755,287	12,186,302
EXPENSES					
Remuneration of Pension Fund Manager	9 665,688	755,202	620,087	2,040,977	1,771,805
Sales tax on remuneration of Pension Fund Manager	10 106,510	120,832	99,214	326,556	-
Remuneration of Trustee	11 87,598	99,351	81,576	268,525	234,428
Annual fee - Securities and Exchange Commission of Pakistan (SECP)	12 14,793	16,782	13,780	45,355	39,373
Auditors' remuneration	13 140,302	163,613	135,223	439,138	387,434
Custody and settlement charges	19,612	6,743	1,000	27,355	28,624
Securities transaction cost	303,026	1,500	2,325	306,851	30,077
Amortisation of formation cost	-	-	-	-	30,387
Legal and professional charges	22,759	25,931	21,309	69,999	140,000
Provision against debt securities	14.2 -	268,597	-	268,597	-
Bank charges and other expenses	32,403	11,100	9,357	52,860	4,498
Total Expenses	1,392,691	1,469,651	983,871	3,846,213	2,666,626
Net income before taxation	9,826,386	5,234,432	3,848,256	18,909,074	9,519,676
Provision for taxation - current	3.10 -	-	-	-	(92,202)
Net income after taxation	9,826,386	5,234,432	3,848,256	18,909,074	9,427,474
Other comprehensive income/(loss)					
Unrealised gain / (loss) on revaluation of investments classified as 'available for sale' - net	14 716,689	(439,892)	(191,525)	85,272	4,259,129
Total comprehensive income for the year	10,543,075	4,794,540	3,656,731	18,994,346	13,686,603
Earnings per unit	15 26.34	14.82	11.16		

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN ISLAMIC PENSION FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	2012				2011
	PIPF Equity Sub- Fund	PIPF Debt Sub- Fund	PIPF Money Market sub	Total	
	Rupees				
CASH FLOW FROM OPERATING ACTIVITIES					
Net income before taxation	9,826,386	5,234,432	3,848,256	18,909,074	9,519,676
Adjustments for non cash items:					
Capital gain on sale of investments	(7,771,770)	(56,250)	(48,000)	(7,876,020)	(2,364,542)
Unrealised (gain) / loss on revaluation of investments classified as 'at fair value through profit or loss' - net	(472,688)	4,250	18,000	(450,438)	-
Impairment loss on investments classified as "available for sale"	371,355	-	-	371,355	1,868,624
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(426,928)	(737,361)	(287,823)	(1,452,112)	(549,393)
Amortisation of formation cost	-	-	-	-	30,387
	(8,300,031)	(789,361)	(317,823)	(9,407,215)	(1,014,924)
(Increase) / decrease in assets					
Investments - net	(2,034,488)	(11,587,187)	(16,099,325)	(29,721,000)	(8,644,847)
Dividend receivable	(219,858)	-	-	(219,858)	(117,560)
Profit receivable	(17,365)	472,161	65,767	520,563	(610,959)
Deposit and other receivables	(3,507,999)	(2,068,585)	(782,396)	(6,358,980)	(1,363,833)
	(5,779,710)	(13,183,611)	(16,815,954)	(35,779,275)	(10,737,199)
Increase / (Decrease) in liabilities					
Payable against redemption of units	(606,335)	(813,000)	(449,353)	(1,868,688)	1,914,352
Payable to Pension Fund Manager	24,930	23,670	16,048	64,648	23,345
Payable to Trustee	1,848	1,580	890	4,318	2,957
Annual fee payable to Securities and Exchange Commission of Pakistan	2,445	2,311	1,225	5,981	5,195
Payable to auditors	11,818	10,096	3,226	25,140	4,935
Other liabilities	2,110,881	31,845	15,340	2,158,066	104,131
	1,545,587	(743,498)	(412,624)	389,465	2,054,915
Tax paid	-	-	-	-	(92,531)
Net cash used in operating activities	(2,707,768)	(9,482,038)	(13,698,145)	(25,887,951)	(270,063)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipt of contribution	6,867,632	10,335,012	4,428,124	21,630,768	12,061,682
Payment against redemptions	(2,911,215)	(1,756,916)	(558,550)	(5,226,681)	(7,619,773)
Reallocation of units between sub-funds	(363,697)	339,045	24,652	-	-
Net cash generated from financing activities	3,592,720	8,917,141	3,894,226	16,404,087	4,441,909
Net increase / (decrease) in cash and cash equivalent	884,952	(564,897)	(9,803,919)	(9,483,864)	4,171,846
Cash and cash equivalent at beginning of the year	3,677,704	2,301,101	18,541,031	24,519,836	20,347,990
Cash and cash equivalent at end of the year	4,562,656	1,736,204	8,737,112	15,035,972	24,519,836

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN ISLAMIC PENSION FUND
STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB-FUND
FOR THE YEAR ENDED JUNE 30, 2012

	2012				2011
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market sub fund	Total	
	-----Rupees-----				
Net assets at beginning of the year	40,359,204	47,452,614	39,568,305	127,380,123	109,801,004
Amount received on issue of units	6,867,632	10,335,012	4,428,124	21,630,768	12,061,682
Amount paid on redemption of units	(2,911,215)	(1,756,916)	(558,550)	(5,226,681)	(7,619,773)
Amount (paid) / received on reallocation of units	(363,697)	339,045	24,652	-	-
	3,592,720	8,917,141	3,894,226	16,404,087	4,441,909
Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed - net					
-amount representing (income) / loss and realised (capital gains) / losses - net	(426,928)	(737,361)	(287,823)	(1,452,112)	(549,393)
-amount representing unrealised (appreciation) / diminution in fair value of investments	(440,204)	(2,141,537)	(728,011)	(3,309,752)	(119,974)
	(867,132)	(2,878,898)	(1,015,834)	(4,761,864)	(669,367)
Net unrealized gain / (loss) during the year in the market value of investments classified as available-for-sale	716,689	(439,892)	(191,525)	85,272	4,259,129
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution) - net	440,204	2,141,537	728,011	3,309,752	119,974
Net income after taxation for the year	9,826,386	5,234,432	3,848,256	18,909,074	9,427,474
Net assets at end of the year	54,068,071	60,426,934	46,831,439	161,326,444	127,380,123

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN ISLAMIC PENSION FUND
STATEMENT OF INVESTMENTS BY CATEGORY
AS AT JUNE 30, 2012

-----2012-----				2011
PIPF Equity Sub- Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub-Fund	Total	

-----Rupees-----

Investments 'at fair value through profit or loss'

- Listed equity securities	29,249,490	-	-	29,249,490	-
- Government Ijarah Sukuks	-	8,504,250	12,006,000	20,510,250	-
	29,249,490	8,504,250	12,006,000	49,759,740	-

'Available for sale investments'

- Listed equity securities	18,014,351	-	-	18,014,351	36,639,561
- Government Ijarah Sukuks	-	45,021,125	24,010,800	69,031,925	62,255,076
- Sukuk Certificates	-	825,004	-	825,004	975,008
	18,014,351	45,846,129	24,010,800	87,871,280	99,869,645

Investments at market value

47,263,841	54,350,379	36,016,800	137,631,020	99,869,645
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The annexed notes from 1 to 22 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN ISLAMIC PENSION FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2012

INVESTMENTS 'AT FAIR VALUE THROUGH PROFIT OR LOSS'

PIPF EQUITY SUB-FUND

LISTED EQUITY SECURITIES

Name of the Investee company	As at July 1, 2011	Purchases during the year	Bonus / Right issue during the year	during the year	As at June 30, 2012	---Balance as at June 30, 2012---			Market value as a % of net assets of the sub fund	% of paid up capital of the investee company	
						Cost	Market value	Appreciation / (Diminution)			
					(-----Number of shares-----) (-----Rupees-----)						
OIL & GAS PRODUCERS											
Pakistan State Oil Company Limited	-	22,100	-	15,596	6,504	1,724,475	1,533,903	(190,572)	2.84	0.0038	
Pakistan Oilfields Limited	-	8,870	-	-	8,870	3,301,959	3,254,758	(47,201)	6.02	0.0037	
Oil & Gas Development Company Limited	-	13,500	-	2,500	11,000	1,674,228	1,764,840	90,612	3.26	0.0003	
Attock Petroleum Limited	-	2,700	-	2,700	-	-	-	-	-	-	
Pakistan Petroleum Limited	-	3,500	-	1,750	1,750	311,631	329,508	17,877	0.61	0.0001	
						<u>7,012,293</u>	<u>6,883,009</u>	<u>(129,284)</u>	<u>12.73</u>		
CHEMICALS											
Fauji Fertilizer Company Limited	-	98,250	-	64,250	34,000	3,832,428	3,775,700	(56,728)	6.98	0.0027	
						<u>3,832,428</u>	<u>3,775,700</u>	<u>(56,728)</u>	<u>6.98</u>		
FORESTRY AND PAPER											
Pakistan Paper Products	-	25,417	-	-	25,417	915,853	1,232,216	316,363	2.28	0.5083	
						<u>915,853</u>	<u>1,232,216</u>	<u>316,363</u>	<u>2.28</u>		
CONSTRUCTION AND MATERIALS											
Attock Cement Pakistan Limited	-	32,300	-	300	32,000	2,569,610	2,606,080	36,470	4.82	0.0370	
						<u>2,569,610</u>	<u>2,606,080</u>	<u>36,470</u>	<u>4.82</u>		
GENERAL INDUSTRIALS											
Ghani Glass Limited	-	20,750	-	20,750	-	-	-	-	-	-	
Thal Limited	-	27,000	-	-	27,000	2,676,172	2,511,000	(165,172)	4.64	0.0367	
						<u>2,676,172</u>	<u>2,511,000</u>	<u>(165,172)</u>	<u>4.64</u>		
AUTOMOBILE AND PARTS											
Exide Pakistan Limited	-	11,500	-	11,500	-	-	-	-	-	-	
INDUSTRIAL ENGINEERING											
Millat Tractors Limited	-	9,050	-	2,000	7,050	3,459,968	3,404,093	(55,875)	6.30	0.0193	
PHARMA AND BIO TECH											
GlaxoSmithKline Pakistan Limited	-	33,000	-	-	33,000	2,118,444	2,086,920	(31,524)	3.86	0.0125	
Abbott Laboratories (Pakistan) Limited	-	21,500	-	-	21,500	2,687,500	2,559,575	(127,925)	4.73	0.0220	
						<u>4,805,944</u>	<u>4,646,495</u>	<u>(159,449)</u>	<u>9</u>		
FIXED LINE TELECOMMUNICATION											
Pakistan Telecommunication Company Limited 'A'	-	174,581	-	174,581	-	-	-	-	-	-	
ELECTRICITY											
The Hub Power Company Limited	-	90,780	-	-	90,780	3,298,933	3,802,774	503,841	7.03	0.0078	
						<u>3,298,933</u>	<u>3,802,774</u>	<u>503,841</u>	<u>7.03</u>		
FOOD PRODUCERS											
National Foods Limited	-	3,946	-	1,926	2,020	205,601	388,123	182,522	0.72	0.0049	
						<u>205,601</u>	<u>388,123</u>	<u>182,522</u>	<u>0.72</u>		
Total						<u>28,776,802</u>	<u>29,249,490</u>	<u>472,688</u>	<u>54</u>		
						Total					
						2012		2011			
						(-----Rupees-----)					
Market value						<u>29,249,490</u>		-			

The annexed notes from 1 to 22 form an integral part of these financial statements.

PAKISTAN ISLAMIC PENSION FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2012

AVAILABLE FOR SALE' INVESTMENTS

PIPF EQUITY SUB - FUND

LISTED EQUITY SECURITIES

Name of the Investee company	As at July 1, 2011	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at June 30, 2012	---Balance as at June 30, 2012---			Market value as a % of net assets of the sub fund	% of paid up capital of the investee company
						Cost	Market value	Appreciation / (Diminution)		
					-----Rupees-----					
(-----Number of shares-----)										
OIL & GAS PRODUCERS										
Pakistan State Oil Company Limited	8,470	1,434	-	9,904	-	-	-	-	-	-
Pakistan Oilfields Limited	11,876	-	-	6,401	5,475	1,311,995	2,008,997	697,002	4	0.0023
Oil & Gas Development Company Limited	-	15,100	-	15,100	-	-	-	-	-	-
Attock Petroleum Limited	-	6,658	-	6,658	-	-	-	-	-	-
Pakistan Petroleum Limited	16,954	4,690	1,695	-	23,339	3,272,265	4,394,500	1,122,235	8	0.0018
						<u>4,584,260</u>	<u>6,403,497</u>	<u>1,819,237</u>	<u>12</u>	
CHEMICALS										
Fauji Fertilizer Bin Qasim Limited	26,233	15,500	-	41,733	-	-	-	-	-	-
Fauji Fertilizer Company Limited	18,875	4,000	2	22,875	2	125	222	97	0	0.0000
Sitara Chemicals Industries Limited	13,450	-	-	13,450	-	-	-	-	-	-
						<u>125</u>	<u>222</u>	<u>97</u>	<u>0</u>	
FORESTRY AND PAPER										
Security Paper Limited	-	9,805	-	9,805	-	-	-	-	-	-
CONSTRUCTION AND MATERIALS										
Lucky Cement Limited	40,021	21,000	-	22,400	38,621	2,790,132	4,456,477	1,666,345	8	0.0119
GENERAL INDUSTRIALS										
Tri-pack Films Limited	9,658	7,757	-	4,000	13,415	1,763,833	2,817,016	1,053,183	5	0.0447
Packages Limited	27,130	-	-	27,130	-	-	-	-	-	-
Thal Limited	19,912	-	1,874	21,786	-	-	-	-	-	-
						<u>1,763,833</u>	<u>2,817,016</u>	<u>1,053,183</u>	<u>5</u>	
AUTOMOBILE AND PARTS										
Pak Suzuki Motor Company Limited	18,664	-	-	18,664	-	-	-	-	-	-
Agriauto Industries Limited	26,287	-	-	26,287	-	-	-	-	-	-
PERSONAL GOODS										
Nishat Mills Limited	46,500	-	-	46,500	-	-	-	-	-	-
PHARMA AND BIO TECH										
Ferozsons Laboratories Limited	6,608	-	991	-	7,599	655,726	616,354	(-39,372)	1	0.0264
						<u>655,726</u>	<u>616,354</u>	<u>(-39,372)</u>	<u>1</u>	
FIXED LINE TELECOMMUNICATION										
Pakistan Telecommunication Company Limited 'A'	48,800	323,000	-	371,800	-	-	-	-	-	-
ELECTRICITY										
The Hub Power Company Limited	86,004	50,900	-	85,000	51,904	1,900,205	2,174,259	274,054	4	0.0045
BANKS										
Meezan Bank Limited	113,201	100,000	24,275	184,000	53,476	810,289	1,546,526	736,237	3	0.0059
Total						<u>12,504,570</u>	<u>18,014,351</u>	<u>5,509,781</u>	<u>33</u>	
										Total
										2012 2011
										-----Rupees-----
										<u>18,014,351</u> <u>36,639,561</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

**PAKISTAN ISLAMIC PENSION FUND
STATEMENT OF OTHER INVESTMENTS
AS AT JUNE 30, 2012**

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

Name of Investments	Face value			As at June 30, 2012			% of net assets
	As at July 1, 2011	Purchases during the year	Sales / Matured during the year	As at June 30, 2012	Cost	Market value	

----- Rupees -----

'At fair value through profit or loss'

Government Ijarah Sukuk (3 years)	-	8,500,000	-	8,500,000	8,508,500	8,504,250	(4,250)	14.07
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'Available for sale' investments

Government Ijarah Sukuk (3 years)	42,000,000	26,500,000	23,500,000	45,000,000	45,235,325	45,021,125	(214,200)	74.51
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42,000,000	35,000,000	23,500,000	53,500,000	53,743,825	53,525,375	(218,450)	89
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Total

2012 2011

----- Rupees -----

Market Value

53,525,375 42,176,076

The annexed notes from 1 to 22 form an integral part of these financial statements.

PAKISTAN ISLAMIC PENSION FUND STATEMENT OF OTHER INVESTMENTS AS AT JUNE 30, 2012

PIPF DEBT SUB-FUND SUKUK CERTIFICATES

Name of the Investee Company	Issue date	Number of certificates				As at June 30, 2012			Market value as % of net assets of the sub-fund	Market value as % of total Investments	Percentage in relation to the size of the issue
		As at July 1, 2011	Purchases during the year	Sales during the year	As at June 30, 2012	Cost	Market value	Appreciation/ (diminution)			
Rupees											
'Available for sale' investments											
Pak Electron Limited - SUKUK (28-09-2007)	28-Sep-07	550	-	-	550	1,011,220	825,004	(186,216)	1.37	1.52	0.10
						<u>1,011,220</u>	<u>825,004</u>	<u>(186,216)</u>			

Total
2012 2011
-----Rupees-----

Market Value

825,004 975,008

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Chief Executive Officer

Director

**PAKISTAN ISLAMIC PENSION FUND
STATEMENT OF OTHER INVESTMENTS
AS AT JUNE 30, 2012**

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

Name of Investments	Face value				As at June 30, 2012			% of net assets
	As at July 1, 2011	Purchases during the year	Sales / Matured during the year	As at June 30, 2012	Cost	Market value	Appreciation/ (Diminution)	
-----Rupees-----								
'At fair value through profit or loss'								
Government Ijarah Sukuk (3 years)	-	12,000,000	-	12,000,000	12,024,000	12,006,000	(18,000)	25.64
'Available for sale' investments								
Government Ijarah Sukuk (3 years)	20,000,000	24,000,000	20,000,000	24,000,000	24,150,325	24,010,800	(139,525)	51.27
	20,000,000	36,000,000	20,000,000	36,000,000	36,174,325	36,016,800	(157,525)	77
							Total	
							2012	2011
							-----Rupees-----	
Market Value							36,016,800	20,079,000

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Chief Executive Officer

Director

**PAKISTAN ISLAMIC PENSION FUND
CONTRIBUTION TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

Contributions net of front end fee	2012							2011
	PIPF Equity Sub-Fund		PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund		Total	
	Units	Rupees	Units	Rupees	Units	Rupees		
	-----Rupees-----							
Opening balance	370,360	36,446,919	349,777	36,033,759	315,724	31,818,994	104,299,672	99,857,763
Individuals - issue of units	52,038	6,867,632	77,002	10,335,012	34,494	4,428,124	21,630,768	12,061,682
- redemption of units	(21,880)	(2,911,215)	(18,334)	(1,756,916)	(5,565)	(558,550)	(5,226,681)	(7,619,773)
- reallocation of units	(2,696)	(363,697)	2,308	339,045	182	24,652	-	-
	27,462	3,592,720	60,976	8,917,141	29,111	3,894,226	16,404,087	4,441,909
Closing balance	397,822	40,039,639	410,753	44,950,900	344,835	35,713,220	120,703,759	104,299,672

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Chief Executive Officer

Director

**PAKISTAN ISLAMIC PENSION FUND
STATEMENT OF NUMBER OF UNITS IN ISSUE
FOR THE YEAR ENDED JUNE 30, 2012**

	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
	----- Number of units -----		
Total Units outstanding at beginning of the year	370,360	349,777	315,724
Add: Units issued during the year	52,038	77,002	34,494
Less: Units redeemed during the year	(21,880)	(18,334)	(5,565)
(Less) / Add: Units reallocated during the year	(2,696)	2,308	182
Total units in issue at the end of the year	<u>397,822</u>	<u>410,753</u>	<u>344,835</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Chief Executive Officer

Director

PAKISTAN ISLAMIC PENSION FUND FINANCIAL PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2012

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2012	June 30, 2011	% Change	June 30, 2012	June 30, 2011	% Change	June 30, 2012	June 30, 2011	% Change
	-----Rupees-----	-----Rupees-----		-----Rupees-----	-----Rupees-----		-----Rupees-----	-----Rupees-----	
Net income after taxation	9,826,386	1,923,387	411	5,234,432	4,739,908	10	3,848,256	2,764,179	39
Realised capital gains	7,771,770	2,364,542	229	56,250	-	-	48,000	-	-
Unrealised gains / (losses)	1,189,377	4,896,209	(76)	(444,142)	(527,080)	(16)	(209,525)	(110,000)	90
Impairment loss on available for sale investments	(371,355)	(1,868,624)	(80)	-	-	-	-	-	-
Dividend income / profit income	2,919,046	2,392,464	22	5,914,722	5,240,465	13	4,514,304	3,508,062	29
Net assets value per unit	136	109	25	147	136	8	136	125	8
Earnings per unit	26	5	395	15	14	5	11	9	25
Transactions in securities									
Purchases	66,606,217	17,411,754	283	35,243,825	10,000,000	252	64,974,325	141,007,713	(54)
Sales	64,571,842	13,955,289	363	7,556,250	-	-	10,075,000	-	-
Total contribution received	6,867,632	4,847,897	42	10,335,012	5,369,110	92	4,428,124	1,844,675	140

Highest and lowest issue price of units during the year

PIPF Equity Sub-Fund		PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund	
Lowest Issue price	Highest Issue price	Lowest Issue price	Highest Issue price	Lowest Issue price	Highest Issue price
135.74	147.11	125.37	135.81	103.74	139.68

-----Rupees-----

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

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

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited 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). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honorable Sindh High Court (SHC). The honorable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Fund's assets and NAV remains unaffected, irrespective of the final ruling.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 New, revised and amended standards and interpretations

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011. These standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements:

Standards / amendments / interpretations

Effective date (accounting periods beginning on or after)

Amendment to IAS 1 - Presentation of Financial Statements
IAS 24 (as revised in 2009) - Related Party Disclosures

January 01, 2011
January 01, 2011

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Standards or interpretations

Effective date (accounting periods beginning on or after)

<i>Amendment to IAS 34 - Interim Financial Reporting</i>	<i>January 01, 2011</i>
<i>Amendment to IFRS 7 - Disclosures - Transfer of Financial Assets</i>	<i>July 01, 2011</i>
<i>Amendment to IFRIC 13-Customer Loyalty Programmes</i>	<i>January 01, 2011</i>
<i>Amendment to IFRIC 14 - Prepayments of a minimum Funding Requirement</i>	<i>January 01, 2011</i>

2.4 Standards, Interpretations and amendments to approved accounting standards not yet effective

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

Standards / amendments / interpretations

Effective for annual periods beginning on or after

<i>Amendments to IAS 1 - Presentation of Financial Statements- Presentation of Other Comprehensive</i>	<i>July 01, 2012</i>
<i>Amendments to IAS 12 - Income Taxes - Deferred Tax: Recovery of Underlying Assets</i>	<i>January 01, 2012</i>

The Fund expects that the adoption of the above standards and interpretations will not have any material impact on its financial statements in the period of initial application except for increase in disclosure requirement

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

Standards or interpretations

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 9 - Financial Instruments
IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interests in Other Entities
IFRS 13 - Fair Value Measurement
IAS 27 (Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgements and assumptions. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.1 & 3.7).

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets

3.1.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available for sale

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

3.1.2 Regular way contracts

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

3.1.3 Initial recognition and measurement

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

3.1.4 Subsequent measurement

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

a) Basis of valuation of Government Ijarah Sukuks

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

b) Basis of valuation of Equity Securities

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

c) Basis of valuation of Sukuk Certificates

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

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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

Loans and receivables are carried at amortised cost.

3.1.5 Impairment

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

During the year, provision for non-performing debt securities and other exposures has been made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by SECP, as a result of voluntary adoption of the said circulars by the Fund after the consent of the Trustee. The provisioning policy for Collective Investment Schemes has been duly formulated and approved by the Board of Directors of Management Company in their meeting held on March 29, 2012.

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

3.1.6 Derecognition

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

3.1.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.1.8 Reclassification

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

3.2 Financial liabilities

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

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.

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.4 Formation cost

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

3.5 Issue, allocation, reallocation and redemption of units

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

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

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

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

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

During the year, the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in income statement. Previously, the proportion of opening undistributed income received / paid on issue / redemption of units was being recognised in the income statement.

The revised methodology, in the opinion of the management, would ensure that continuing participants' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. However, it would effect the net income for the year ended June 30, 2012 but the financial impact has not been disclosed as it is impracticable to compute that impact.

3.7 Provisions

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

3.8 Net asset value per unit

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

3.9 Earnings per unit

Earning Per Unit (EPU) for the year ended June 30, 2012, in respect of each sub-fund, has been calculated by dividing the net income after taxation of a sub-fund by weighted average number of units of the sub-fund in circulation during the year.

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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.
- Profit on investment is recognised on an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks.

3.13 Foreign currency translation

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

3.14 Functional and presentation currency

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

4. BALANCES WITH BANKS

	----- June 30, 2012-----				June 30, 2011
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	----- Rupees -----				
Current accounts	3,676,331	-	-	3,676,331	393,495
Saving accounts	886,325	1,736,204	8,737,112	11,359,641	24,126,341
	<u>4,562,656</u>	<u>1,736,204</u>	<u>8,737,112</u>	<u>15,035,972</u>	<u>24,519,836</u>

Deposit accounts carry a rate of return ranging from 5.05% to 11.6%. (2011: 5.4% to 9%) per annum.

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

5. DEPOSIT AND OTHER RECEIVABLES

	----- June 30, 2012 -----				June 30, 2011
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	----- Rupees -----				
Security deposits	2,701,000	200,000	100,000	3,001,000	800,000
Other receivable	1,000	1,000	1,000	3,000	3,000
Receivable against issue of units	1,532,917	2,583,770	1,018,490	5,135,177	2,148,927
Receivable from sub-funds	-	761,055	410,675	1,171,730	-
	<u>4,234,917</u>	<u>3,545,825</u>	<u>1,530,165</u>	<u>9,310,907</u>	<u>2,951,927</u>

6. OTHER LIABILITIES

Professional fee payable	31,983	37,031	30,978	99,992	140,000
Donation / charity payable	62,976	-	5,910	68,886	41,372
Payable against purchase of investments	868,700	-	-	868,700	-
Payable to sub-funds	1,171,730	-	-	1,171,730	-
Tax payable	-	-	-	-	235
Others	56,358	59,315	32,892	148,565	18,200
	<u>2,191,747</u>	<u>96,346</u>	<u>69,780</u>	<u>2,357,873</u>	<u>199,807</u>

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 Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently, 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 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 the Court.

During the year, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Honorable High Court of Sindh. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs. 0.330 million, Rs. 0.274 million and Rs. 0.179 million for equity sub-fund, debt sub-fund and money market sub-fund respectively (June 2011: Rs. 0.133 million, Rs. 0.169 million and Rs. 0.102 million). If the same were recognised, the net asset value per unit of each sub-fund as at June 30, 2012 / the net income for the year then ended would have been lower by Rs. 0.83 / 3.36%, Rs. 0.67 / 5.23% and Rs. 0.52 / 4.65% for equity sub-fund, debt sub-fund and money market sub-fund respectively.

7.2 There were no contingencies and commitments outstanding as at June 30, 2012 (2011: Nil).

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

9. REMUNERATION OF PENSION FUND MANAGER

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

10. SALES TAX ON REMUNERATION OF PENSION FUND MANAGER

During the current year, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Pension Fund Manager through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

11. REMUNERATION OF TRUSTEE

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

12. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

13. AUDITORS' REMUNERATION

As at June 30, 2012					June 30, 2011
PIPF Equity Sub Fund	PIPF Debt Sub Fund	PIPF Money Market Sub Fund	Total		
----- Rupees -----					
Audit fee	82,474	92,270	75,256	250,000	220,000
Half yearly review fee	27,861	33,878	28,261	90,000	80,000
Other certifications and services	24,742	27,681	22,577	75,000	75,000
Out of pocket expenses	5,225	9,784	9,129	24,138	12,434
	<u>140,302</u>	<u>163,613</u>	<u>135,223</u>	<u>439,138</u>	<u>387,434</u>

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

	As at June 30, 2012				June 30, 2011
	PIPF Equity Sub Fund	PIPF Debt Sub Fund	PIPF Money Market Sub Fund	Total	
	Rupees				
Market value	18,014,351	45,846,129	24,010,800	87,871,280	99,869,645
Average cost	(12,504,570)	(46,246,545)	(24,150,325)	(82,901,440)	(99,550,446)
Impairment loss					
Opening	4,941,738	-	-	4,941,738	4,068,199
Charged during the year 14.1	371,355	-	-	371,355	1,868,624
Derecognised on sale of investments	(5,205,321)	-	-	(5,205,321)	(995,085)
	107,772	-	-	107,772	4,941,738
Net surplus / (deficit)	5,617,553	(400,416)	(139,525)	5,077,612	5,260,937
Provision during the year 14.2	-	268,597	-	268,597	-
Less: Net unrealised (appreciation) in value of investment at the beginning of the year	(4,900,864)	(308,073)	(52,000)	(5,260,937)	(1,001,808)
	716,689	(439,892)	(191,525)	85,272	4,259,129

14.1 As at June 30, 2012, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as available for sale and has determined that an impairment loss amounting to Rs.0.371 million for the year ended June 30, 2012 be charged to the income statement.

14.2 The Fund has recognised a provision amounting to Rs. 0.268 million (a provision of 30%) against the principal amount of Pak Electron Limited (PEL) TFCs outstanding as on June 30, 2012 in accordance with circular no. 1 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) on January 06, 2009.

15. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2012 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, 2012		
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
Weighted average number of units	373,050.5765	353,111.5209	344,973.4570
Net income after taxation	9,826,386	5,234,432	3,848,256
Earnings per unit	26.34	14.82	11.16

16. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHIL) being the Pension Fund Manager and MCB Bank Limited being the holding company of AHIL, 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. Up till June 27, 2011, MCB Financial Services Limited was the Trustee of the Fund, therefore comparative figures have been shown with respect to the former Trustee.

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

Remuneration payable to the Pension Fund Manager and the Trustee is determined in accordance with the provisions of the VPS Rules 2005 and the Trust Deed respectively.

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

16.1 Transactions during the year

	For the year ended June 30, 2012				For the year ended June 30, 2011
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
----- Rupees -----					
Arif Habib Investments Ltd - Pension Fund Manager					
Remuneration	772,198	876,034	719,301	2,367,533	1,771,805
Sales load	30,354	72,179	38,098	140,631	57,358
Habib Metropolitan Bank Limited Trustee					
Remuneration	87,598	99,351	81,576	268,525	-
Profit earned during the year	88,473	143,145	255,102	486,720	-
Investment in Term Deposit Receipt (TDR)	-	-	20,900,000	20,900,000	-
Profit earned on TDR	-	-	591,586	591,586	-
Bank charges	19,091	9,877	6,431	35,399	-
MCB Bank Limited					
Profit earned during the year	-	-	77,434	77,434	-
Investment in TDR	-	-	7,900,000	7,900,000	-
Profit earned on TDR	-	-	216,655	216,655	-
MCB Financial Services Limited - Former Trustee					
Remuneration	-	-	-	-	234,428
Directors and Officers					
Issue of PIPF Equity sub - fund 8,858 units (2011: 22,578 units)	1,047,887	-	-	1,047,887	2,460,301
Issue of PIPF Debt sub - fund 9,698 units (2011: 16,032 units)	-	1,405,586	-	1,405,586	2,175,064
Issue of PIPF Money Market sub - fund 4,630 units (2011: 8,026 units)	-	-	616,757	616,757	1,005,895
Redemption of PIPF Equity sub - fund 5,701 units (2011: 18,556 units)	776,685	-	-	776,685	2,022,021
Redemption of PIPF Debt sub - fund 2,858 units (2011: 12,281 units)	-	416,991	-	416,991	1,666,172
Redemption of PIPF Money Market sub - fund 721 units (2011: 5,716 units)	-	-	96,454	96,454	716,384

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

16.2 Amounts outstanding as at year end

----- As at June 30, 2012 -----				Total	June 30, 2011
PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund			
----- Rupees -----					

Arif Habib Investments Ltd - Pension Fund Manager

Remuneration payable	75,699	81,105	64,550	221,354	156,706
Sales load payable	20,598	59,315	32,660	112,573	18,200
Investment in seed capital 300,000 units (2011: 300,000 units)	40,773,047	44,133,000	40,743,000	125,649,047	110,991,000

Habib Metropolitan Bank Limited

Remuneration payable	8,545	9,157	7,288	24,990	-
Balances with banks	4,562,656	1,279,269	8,033,862	13,875,787	16,659,285
Profit receivable	17,365	48,027	27,880	93,272	-

MCB Bank Limited

Balances with banks	-	-	99,201	99,201	7,810,508
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MCB Financial Services Limited - Former Trustee

Remuneration payable	-	-	-	-	20,672
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Directors and Officers

Balance as at June 30, 2012

Investment In PIPF Equity sub - fund 8,921 units (2011 : 25,149units)	1,212,516	-	-	1,212,516	2,740,448
Investment In PIPF Debt sub - fund 10,622 units (2011 : 15,784 units)	-	1,562,633	-	1,562,633	2,141,436
Investment In PIPF Money Market sub - fund 4,931 units (2011 : 7,399 units)	-	-	669,698	669,698	927,370

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

17. FINANCIAL RISK MANAGEMENT

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

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

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

17.1 Market risk

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

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

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

17.1.1 Currency risk

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

17.1.2 Interest rate risk

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

Sensitivity analysis of variable rate instruments

- a) Government Ijarah Sukuks which are classified as 'At fair value through profit or loss' and 'Available for Sale' exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan on June 30, 2012, with all other variables held constant, the net income for the year and net assets would be higher / lower by Rs.127,082 (2011: Rs. 471,863).
- b) Balances with bank in deposit account exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2012, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 113,596 (2011: Rs. 20,473).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Reuters are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

(Rupees)

On-balance sheet financial instruments

Financial Assets

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

Financial Liabilities

Payable against redemption of units	45,664	-	-	-	37,093	-	-	-	8,571	-	-	-
Payable to Pension Fund Manager	221,354	-	-	-	75,699	-	-	-	81,105	-	-	64,550
Payable to Trustee	24,990	-	-	-	8,545	-	-	-	9,157	-	-	7,288
Annual fee payable to the Securities and Exchange Commission of Pakistan	45,355	-	-	-	14,793	-	-	-	16,782	-	-	13,780
Payable to Auditors	325,076	-	-	-	105,649	-	-	-	120,424	-	-	99,003
Other liabilities	2,357,873	-	-	-	2,191,747	-	-	-	96,346	-	-	69,780
	3,020,312	-	-	-	2,433,526	-	-	-	332,385	-	-	254,401

On-balance sheet gap

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

Total	PIPF EQUITY SUB FUND				PIPF DEBT SUB FUND				PIPF MONEY MARKET SUB FUND			
	June 30, 2011				June 30, 2011				June 30, 2011			
	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk
	Up to three months	More than three months and up to one year	More than one year		Up to three months	More than three months and up to one year	More than one year		Up to three months	More than three months and up to one year	More than one year	

(Rupees)

On-balance sheet financial instruments

Financial Assets

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

Financial Liabilities

Payable against redemption of units	1,914,352	-	-	-	643,428	-	-	-	821,571	-	-	-	449,353
Payable to Pension Fund Manager	156,706	-	-	-	50,769	-	-	-	57,435	-	-	-	48,502
Payable to Trustee	20,672	-	-	-	6,697	-	-	-	7,577	-	-	-	6,398
Annual fee payable to the Securities and Exchange Commission of Pakistan	39,374	-	-	-	12,348	-	-	-	14,471	-	-	-	12,555
Payable to Auditors	299,936	-	-	-	93,831	-	-	-	110,328	-	-	-	95,777
Other liabilities	199,807	-	-	-	80,866	-	-	-	64,501	-	-	-	54,440
	2,630,847	-	-	-	887,939	-	-	-	1,075,883	-	-	-	667,025

On-balance sheet gap

	127,380,123	3,284,209	-	-	37,074,995	2,301,101	-	43,151,084	2,000,429	18,541,031	-	20,079,000	948,274
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2011.

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

17.1.3 Price risk

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

In case of 5% increase in KSE 100 index on June 30, 2012, other components of equity would increase by Rs. 2.108 million (2011: Rs. 1.858 million) as a result of gains / losses on equity securities classified as available for sale. In case of 5% decrease in KSE 100 index on June 30, 2012, other components of equity would decrease by Rs. 2.108 million (2011: Rs. 1.858 million) as a result of gains / losses on equity securities classified as available for sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Sub-Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Sub-Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Sub-Fund's net assets of future movements in the level of KSE 100 index.

17.2 Credit risk

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

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2012 and June 30, 2011 is the carrying amounts of following financial assets.

	-----As at June 30, 2012-----			Total	As at June 30, 2011
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
	-----Rupees-----				
Balances with banks	4,562,656	1,736,204	8,737,112	15,035,972	24,519,836
Investments	47,263,841	54,350,379	36,016,800	137,631,020	99,869,645
Dividend receivable	422,818	-	-	422,818	202,960
Profit receivable	17,365	1,126,911	801,763	1,946,039	2,466,602
Deposit and other receivables	4,234,917	3,545,825	1,530,165	9,310,907	2,951,927
	<u>56,501,597</u>	<u>60,759,319</u>	<u>47,085,840</u>	<u>164,346,756</u>	<u>130,010,970</u>

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2012 and June 30, 2011:

Bank Balances by rating category	Rating agency	Rating Long-term / Short-term	-----Rupees-----	
			2012	2011
Habib Metropolitan Bank Limited	PACRA	AA+ / A1+	13,875,787	16,659,285
Bank Alfalah Limited	PACRA	AA / A1+	923,312	40,042
United Bank Limited	JCR / VIS	AA+ / A-1+	137,672	10,001
MCB Bank Limited	PACRA	AA+ / A1+	99,201	7,810,508
Sukuk Certificates by rating category			2012	
Pakistan Electron Limited	PACRA			Non Traded
			2011	
Pakistan Electron Limited	PACRA			A

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets.

PAKISTAN ISLAMIC PENSION FUND

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Concentration of credit risk

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

17.3 Liquidity risk

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

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

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

(Rupees)

Liabilities

Payable against redemption of units	45,664	37,093	-	-	8,571	-	-	-	-	-
Payable to Pension Fund Manager	221,354	75,699	-	-	81,105	-	-	64,550	-	-
Payable to Trustee	24,990	8,545	-	-	9,157	-	-	7,288	-	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	45,355	14,793	-	-	16,782	-	-	13,780	-	-
Payable to Auditors	325,076	105,649	-	-	120,424	-	-	99,003	-	-
Other liabilities	2,357,873	2,191,747	-	-	96,346	-	-	69,780	-	-
	3,020,312	2,433,526	-	-	332,385	-	-	254,401	-	-

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

(Rupees)

Liabilities

Payable to Pension Fund Manager	1,914,352	643,428	-	-	821,571	-	-	449,353	-	-
Payable to Pension Fund Manager	156,706	50,769	-	-	57,435	-	-	48,502	-	-
Payable to Trustee	20,672	6,697	-	-	7,577	-	-	6,398	-	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	39,374	12,348	-	-	14,471	-	-	12,555	-	-
Payable to Auditors	299,936	93,831	-	-	110,328	-	-	95,777	-	-
Other Liabilities	199,807	80,866	-	-	64,501	-	-	54,440	-	-
	2,630,847	887,939	-	-	1,075,883	-	-	667,025	-	-

PAKISTAN ISLAMIC PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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17.4 Financial instruments by category

Total	PIPF EQUITY SUB-FUND				PIPF DEBT SUB-FUND				PIPF MONEY MARKET SUB-FUND				
	June 30, 2012												
	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	
(Rupees)													
Balances with banks	15,035,972	4,562,656	-	4,562,656	1,736,204	-	-	1,736,204	8,737,112	-	-	8,737,112	
Investments	137,631,020	-	29,249,490	18,014,351	47,263,841	-	8,504,250	45,846,129	54,350,379	-	12,006,000	24,010,800	36,016,800
Dividend receivable	422,818	422,818	-	422,818	-	-	-	-	-	-	-	-	
Profit receivable	1,946,039	17,365	-	17,365	1,126,911	-	-	1,126,911	801,763	-	-	801,763	
Deposit and other receivables	9,310,907	4,234,917	-	4,234,917	3,545,825	-	-	3,545,825	1,530,165	-	-	1,530,165	
	164,346,756	9,237,756	29,249,490	18,014,351	56,501,597	6,408,940	8,504,250	45,846,129	60,759,319	11,069,040	12,006,000	24,010,800	47,085,840

Assets

Total	PIPF EQUITY SUB-FUND				PIPF DEBT SUB-FUND				PIPF MONEY MARKET SUB-FUND			
	June 30, 2012											
	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total			
(Rupees)												
Payable against redemption of units	45,664	-	37,093	37,093	-	-	8,571	8,571	-	-	-	-
Payable to Pension Fund Manager	221,354	-	75,699	75,699	-	-	81,105	81,105	-	-	64,550	64,550
Payable to Trustee	24,990	-	8,545	8,545	-	-	9,157	9,157	-	-	7,288	7,288
Annual fee payable to the Securities and Exchange Commission of Pakistan	45,355	-	14,793	14,793	-	-	16,782	16,782	-	-	13,780	13,780
Payable to Auditors	325,076	-	105,649	105,649	-	-	120,424	120,424	-	-	99,003	99,003
Other liabilities	2,357,873	-	2,191,747	2,191,747	-	-	96,346	96,346	-	-	69,780	69,780
	3,020,312	-	2,433,526	2,433,526	-	-	332,385	332,385	-	-	254,401	254,401

Liabilities

Total	PIPF EQUITY SUB-FUND				PIPF DEBT SUB-FUND				PIPF MONEY MARKET SUB-FUND			
	June 30, 2011											
	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total
(Rupees)												
Balances with banks	24,519,836	3,677,704	-	3,677,704	2,301,101	-	-	2,301,101	18,541,031	-	-	18,541,031
Investments	99,869,645	-	36,639,561	36,639,561	-	-	43,151,084	43,151,084	-	-	20,079,000	20,079,000
Dividend receivable	202,960	202,960	-	202,960	-	-	-	-	-	-	-	-
Profit receivable	2,466,602	-	-	-	1,599,072	-	-	1,599,072	867,530	-	-	867,530
Deposit and other receivables	2,951,927	726,918	-	726,918	1,477,240	-	-	1,477,240	747,769	-	-	747,769
	130,010,970	4,607,582	36,639,561	41,247,143	5,377,413	-	43,151,084	48,528,497	20,156,330	-	20,079,000	40,235,330

Assets

Total	PIPF EQUITY SUB-FUND				PIPF DEBT SUB-FUND				PIPF MONEY MARKET SUB-FUND			
	June 30, 2011											
	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total			
(Rupees)												
Payable to Pension Fund Manager	1,914,352	-	643,428	643,428	-	-	821,571	821,571	-	-	449,353	449,353
Payable to Pension Fund Manager	156,706	-	50,769	50,769	-	-	57,435	57,435	-	-	48,502	48,502
Payable to Trustee	20,672	-	6,697	6,697	-	-	7,577	7,577	-	-	6,398	6,398
Annual fee payable to the Securities and Exchange Commission of Pakistan	39,374	-	12,348	12,348	-	-	14,471	14,471	-	-	12,555	12,555
Payable to Auditors	299,936	-	93,831	93,831	-	-	110,328	110,328	-	-	95,777	95,777
Other liabilities	199,807	-	80,866	80,866	-	-	64,501	64,501	-	-	54,440	54,440
	2,630,847	-	887,939	887,939	-	-	1,075,883	1,075,883	-	-	667,025	667,025

Liabilities

Total	PIPF EQUITY SUB-FUND				PIPF DEBT SUB-FUND				PIPF MONEY MARKET SUB-FUND			
	June 30, 2011											
	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total			
(Rupees)												
Payable to Pension Fund Manager	1,914,352	-	643,428	643,428	-	-	821,571	821,571	-	-	449,353	449,353
Payable to Pension Fund Manager	156,706	-	50,769	50,769	-	-	57,435	57,435	-	-	48,502	48,502
Payable to Trustee	20,672	-	6,697	6,697	-	-	7,577	7,577	-	-	6,398	6,398
Annual fee payable to the Securities and Exchange Commission of Pakistan	39,374	-	12,348	12,348	-	-	14,471	14,471	-	-	12,555	12,555
Payable to Auditors	299,936	-	93,831	93,831	-	-	110,328	110,328	-	-	95,777	95,777
Other liabilities	199,807	-	80,866	80,866	-	-	64,501	64,501	-	-	54,440	54,440
	2,630,847	-	887,939	887,939	-	-	1,075,883	1,075,883	-	-	667,025	667,025

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FOR THE YEAR ENDED JUNE 30, 2012

17.5 Fair value of financial assets and liabilities

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

17.5.1 Fair value hierarchy

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

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

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

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

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

Rupees

ASSETS

Investment in securities -

At fair value through

profit or loss

Available for sale

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

Total	PIPF EQUITY SUB-FUND			PIPF DEBT SUB-FUND			PIPF MONEY MARKET SUB-FUND		
	-----June 30, 2011 -----			-----June 30, 2011 -----			-----June 30, 2011 -----		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3

Rupees

ASSETS

Investment in securities -

At fair value through

profit or loss

Available for sale

-	-	-	-	-	-	-	-	-	-
99,869,645	36,639,561	-	-	43,151,084	-	-	20,079,000	-	-

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 Unit Holders invest in the Funds with a long term objective, possibility of a significant redemption pressure is limited, such liquidity being augmented (by short-term borrowings or disposal of investments where necessary). During the year no such borrowing was exercised.

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

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

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 portfolio and considers

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the business to have three operating segments i.e. PIPF Equity Sub-Fund, PIPF Debt Sub-Fund and PIPF Money Market Sub-Fund . The Fund's asset allocation decisions are based on the allocation scheme selected by the participant out of the allocation schemes offered by the Pension Fund Manager. The Fund's performance is also evaluated on the sub-funds basis.

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

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 **August 15, 2012**.

21. SIGNIFICANT EVENTS AFTER THE YEAR END

There is no significant event to report after the end of year ended June 30, 2012.

22. GENERAL

Figures have been rounded off to the nearest Rupee.

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

Chief Executive Officer

Director