

## Annual Report 2015



Phir Aglee Rut Kee Fikar Karo

# PAKISTAN PENSION FUND

**MCB-Arif Habib Savings and Investments Limited**

AM2 Plus by PACRA

## **TABLE OF CONTENTS**

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<b>1</b>	<b>Vision Mission &amp; Core Values</b>	<b>02</b>
<b>2</b>	<b>Fund's Information</b>	<b>03</b>
<b>3</b>	<b>Report of the Director of Management Company</b>	<b>04</b>
<b>4</b>	<b>Report of the Fund Manager</b>	<b>06</b>
<b>5</b>	<b>Trustee's Report to the Participants</b>	<b>08</b>
<b>6</b>	<b>Auditor's Report to the Participants</b>	<b>10</b>
<b>7</b>	<b>Balance Sheet</b>	<b>12</b>
<b>8</b>	<b>Income Statement</b>	<b>13</b>
<b>9</b>	<b>Statement of Comprehensive Income</b>	<b>14</b>
<b>10</b>	<b>Cash Flow Statement</b>	<b>15</b>
<b>11</b>	<b>Statement of Movement in Participants' Sub-Fund</b>	<b>16</b>
<b>12</b>	<b>Statement of Investment by Category</b>	<b>17</b>
<b>13</b>	<b>Statement of Investment Portfolio</b>	<b>18</b>
<b>14</b>	<b>Statement of Other Investment</b>	<b>22</b>
<b>15</b>	<b>Contribution Table</b>	<b>28</b>
<b>16</b>	<b>Statement of Number of Unit in Issue</b>	<b>29</b>
<b>17</b>	<b>Financial Performance Table</b>	<b>30</b>
<b>18</b>	<b>Note to and Forming part of the Financial Statement</b>	<b>31</b>

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors</b>	Mian Muhammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Mr. Yasir Qadri	Chief Executive Officer
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
<b>Audit Committee</b>	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	Member
<b>Company Secretary &amp; Chief Financial Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited	
<b>Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 + Management Quality Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

On behalf of the Board of Directors, I am pleased to present Pakistan Pension Fund's accounts review for the year ended June 30th, 2015.

## ECONOMY AND MONEY MARKET OVERVIEW

Lower oil prices benefited the country in the form of improving macroeconomic indicators during FY15. Average annual inflation remained significantly below the target, foreign exchange reserves improved, Current account deficit narrowed down and GDP growth marginally increased.

As oil prices stood around \$63 per barrels at the end of June, 2015 in the international market, the Brent crude has nearly halved in price since its peak of around \$114 a barrel touched in June, 2014. Hence, on the heels of stable food prices and cut in fuel prices in the domestic market, Consumer Price Inflation averaged around 4.56% in FY15 as opposed to the average inflation of 8.6% in FY14. While the country's current account deficit summed to \$2.28 billion at the end of FY15 as opposed to deficit of \$ 3.13 billion in FY14. With trade deficit largely unchanged compared to the previous year, improvement in the current account balance came from growth in remittances.

Import bill remained close to the last year's level, as benefit of lower oil bill was annulled by volumetric increase in imports in other segments. Exports remained weak in consideration of disruptive power supplies, weak competitiveness and a weak demand outlook in export destinations particularly Europe. Workers' Remittances totaled to \$ 18.45 billion in FY15, marking a growth of 17 percent as compared to last year.

At the same time, financial account registered a surplus of \$ 4.52 billion as compared to a surplus of \$ 5.55 billion recorded during the last year. This is mainly due to lower Direct Investments and Portfolio investments in the country. The country's FX reserves got an impetus from multilateral and bilateral disbursements, successful continuation of IMF program, privatization proceeds, Sukuk auction and lower oil bill. The reserves stood at around \$ 18.7 billion at the end of June, increased by around \$4 billion in FY15.

Keeping in view of subsiding inflationary pressure along with improving outlook on the balance of payment, the State Bank announced successive cuts in the discount rate in the monetary policy held in November, January, March and May, bringing the discount rate to 7 percent from 10 percent at the start of the year.

With the country battling with power crisis and poor infrastructure, commitment of \$47 billion in the form of investments in the power and infrastructure sectors by Chinese president in April-2015 is expected to provide an impetus to resource mobilization and economic activity for Pakistan. Pace of progress along with extent of domestic partnerships on key development projects shall however be critical for achieving the desired impact on economy over the next 3 years.

All these positives developments led to the improvement in the country's rating outlook by the international rating agencies. Moody's Investors Service has upgraded Pakistan to the 'B-3' category. While Standard and Poor's (S&P) ratings' agency has raised Pakistan's credit rating to positive, with rating reaffirmed at B-.

M2 has expanded by 12.3 percent during FY15 (till June 26, 2015) as opposed to 11.43% in FY14 with stable contribution from NFA.

At the same time, the net borrowing from the banking system increased by Rs 1,001 billion as opposed to Rs 373 billion during the previous year.

Treasury market remained quite active during the year, largely due to declining interest rate scenario stemming from sharp decline in oil prices. Participation largely remained concentrated in longer tenure paper causing strain on short term liquidity which was supported by SBP through frequent OMO injections. In order to efficiently manage market liquidity, SBP introduced a target rate; 50bps below the ceiling rate (Discount rate). Moreover, to reduce volatility, policy makers also reduced the width of the interest rate corridor by 50 bps to 200 bps.

## EQUITIES MARKET OVERVIEW

KSE-100 index rose by a decent 16% in FY15 as against an average annual growth of 35% recorded during the past three fiscal years.

Mid and small cap stock remained in the limelight on the back of lower energy cost and commodity price. Index heavy weights i.e. Oil and Gas and Banking sectors remained the main contributors to dismal market performance. Declining trend with high volatility in oil prices didn't allow Oil and Gas sector to perform while attractiveness of banking sector was marred by regular reductions in discount rate causing the net interest margins to shrink.

Monetary easing and low interest rate outlook on the back of lower expected inflation supported the performance of leveraged and high yielding sectors like Fertilizer and Electricity. Cement sector was the beneficiary of both soft raw material cost and lower interest rate. Mid and small cap stocks benefited on account of lower energy cost and commodity prices.

The average turnover stood at around 218 million shares, while foreigners remained buyer with net inflow of around \$39 million. Strong participation in HBL transaction, including a foreign exchange component of \$764 million, reflects the confidence of investors in improving macroeconomic fundamentals.

## Equity Fund

The Equity sub-fund generated a return of 37.95% while the KSE-100 increased by 16.01% during the period under review. The sub-fund decreased its overall equity exposure to 90.1% from 95.8%. Sector-wise, the sub-fund reduced its exposure in Oil & Gas

## REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

(Exploration, Refineries and Oil Marketing Companies), Commercial Banks and Electricity sectors, whilst increased its exposure towards Fertilizer and Paper & Board sectors.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 394.81 million as compared to Rs. 211.96 million as at June 30, 2014 registering an increase of 86.27%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 375.91 as compared to opening NAV of Rs. 272.49 per unit as at June 30, 2014 registering an increase of Rs. 103.42 per unit.

### Debt Fund

The debt sub-fund generated an annualized return of 16.85% during FY15. The fund gradually built exposure in T-bills which was eliminated by the end of last year. Exposure towards PIBs decreased from 86.2% to 64.5%.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 339.03 million as compared to Rs. 244.77 million as at June 30, 2014 registering an increase of 38.51%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 205.15 as compared to opening NAV of Rs. 175.56 per unit as at June 30, 2014 registering an increase of Rs. 29.59 per unit.

### Money Market Fund

The money market sub-fund generated a return of 7.17% during the period. The fund increased its exposure in T-bills from 94.2% to 98.8% during the period.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 139.07 million as compared to Rs. 138.59 million as at June 30, 2014 registering an increase of 0.346%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 193.02 as compared to opening NAV of Rs. 180.10 per unit as at June 30, 2014 registering an increase of Rs. 12.92 per unit.

### FUTURE OUTLOOK

On the back of weak crude oil prices, average CPI is expected to remain in lower range of around 6% in FY16. Forex Reserves are also expected to remain strong with the continued focus of government on privatization plans. Moreover, the government aims to raise \$1 billion by issuing Eurobond and planning to borrow \$1 billion from Islamic Development Bank (IDB) in FY16. The agreement with China for investment in infrastructure and energy projects is likely to support the weak FDI and shall be the key to rejuvenate economic activity.

Due to subsiding cost pressure, we expect manufacturing sectors, primarily, Auto, Cement and Consumer sectors to outperform the broader market. Moreover, continuation of expansionary environment suggests high-dividend yield companies will continue to perform. While improvement in Pakistan's sovereign outlook and possible reclassification of Pakistan to emerging market by MSCI will support appetite for Large Cap stocks.

### ACKNOWLEDGMENT

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

On behalf of Directors,



Yasir Qadri  
Chief Executive Officer  
Karachi: August 07, 2015

## **REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015**

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### **Fund Type and Category**

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

### **Investment Strategy**

PPF is a flexible savings cum investment plan under the voluntary pension system which facilitates all individuals who are Pakistani nationals, to save for their retirement in a systematic way, and allows special tax rebate on the contributions under this system. The investors have a choice between the various allocation schemes that PPF offers, each of which is invested in different Proportions in the three sub-Funds: Equity, Debt and Money Market. Equity Sub-Fund invests up to 96% of its assets in equity securities. Sector/stock selection is done on the basis of fundamental outlook and DCF valuation. Debt sub-fund Invests in Govt. Bonds of duration of less than 5 years. Money Market sub- Fund invests in short dated money market instruments including treasury bills.

### **Manager's Review**

#### **Equity Sub-Fund**

During the year sub-fund generated a return of 37.95% as against KSE-100 index return of 16.01%, an outperformance of 21.94% at the end of FY15. Around 49% exposure was in five sectors namely Commercial Banks, Cement, Oil & Gas Exploration, Oil & Gas Marketing, Fertilizer and Paper & Board.

Sector-Wise, the equity sub-fund decreased its exposure within Oil & Gas sector from 33.9% at the beginning of the year to 23.2% by end-June 2015. The exposure towards Cement sector was increased from 9.2% to 12.3%.

#### **Money Market Sub- Fund**

The money market sub-fund made an annualized return of 7.17% during the year. The fund exposure towards T-bill increased to 98.8% from 94.2% at the end of last year. The net assets of the sub-fund increased to Rs 139.07 million by end-June 2015 as against Rs 138.59 million at the beginning of the year.

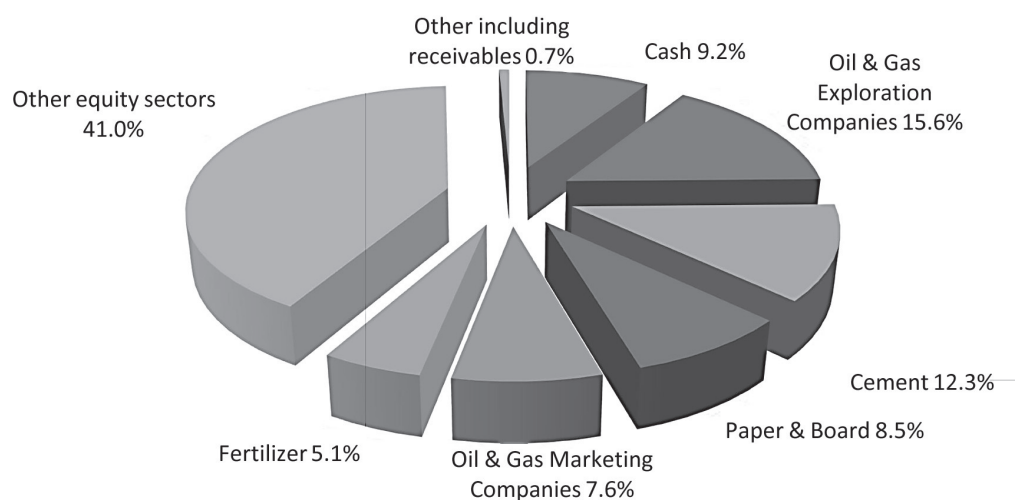
#### **Debt Sub-Fund**

The debt sub-fund generated annualized return of 16.85% during the year. As PIBs continued to stay in the limelight, the fund booked capital gains by reducing exposure in PIBs to 64.5% as of June 30, 2015. The sub-fund marginally decreased its TFCs exposure from 1.0% at the beginning of the period to only 0.8% as of June 30, 2015. The net assets of the sub-fund increased to Rs 339.03 million as against Rs 244.77 million at the beginning of the year.

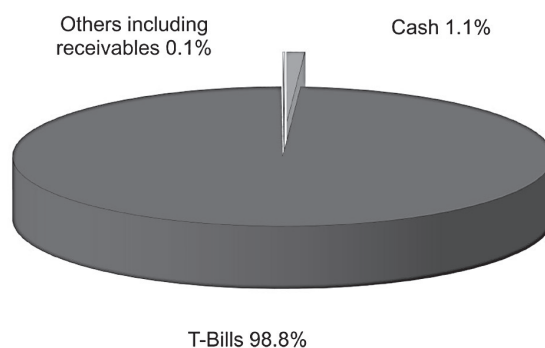


## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015

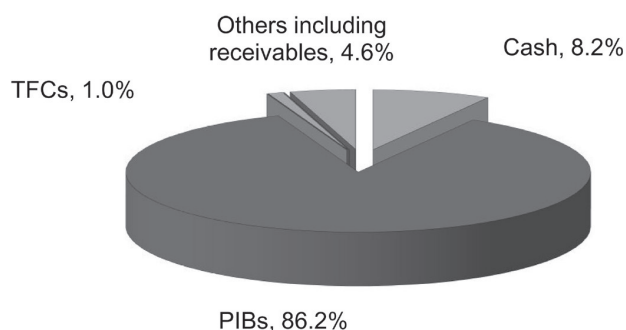
### Asset Allocation (Equity Sub-fund) as of June 30, 2015 (% of Total Assets)



### Asset Allocation (MM Sub-fund) as of June 30, 2015 (% of Total Assets)



### Asset Allocation (Debt Sub-fund) as of June 30, 2015 (% of Total Assets)



Mr. Muhammad Asim, CFA  
Fund Manager

Karachi: August 07, 2015



## TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcPakistan.com](http://www.cdcPakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)

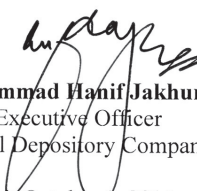


### TRUSTEE REPORT TO THE PARTICIPANTS

#### PAKISTAN PENSION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Pension Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund for the period from September 30, 2014 to June 30, 2015 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, October 1, 2015



# TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015



## HABIBMETRO

### TRUSTEE REPORT TO THE PARTICIPANTS

#### PAKISTAN PENSION FUND

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

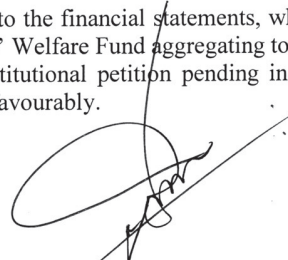
Pakistan Pension Fund was established under a Trust Deed dated June 4, 2007 executed between Arif Habib Investments Limited, as the Pension Fund Manager and MCB Financial Services Limited (MCBFSL), as the Trustee.

As per the Deed of change of Trustee and amendment in the Trust Deed dated July 21, 2014 Habib Metropolitan Bank Limited retired as the Trustee and Central Depository Company of Pakistan Limited was appointed as the new Trustee of the Fund. However, the title to the assets of the Fund was transferred to Central Depository Company of Pakistan Limited on September 30, 2014.

In our opinion, the Pension Fund Manager has in all material respects managed the Fund during the period from 01 July 2014 to 30 September 2014 in accordance with the provisions of the following:

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

For the purpose of information, we draw attention to note 7.1 to the financial statements, which explains the matter with respect to the contribution for Workers' Welfare Fund aggregating to Rs. 2.561 million. In this regard, the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favourably.



**Abdul Rasheed Gaba**  
Vice President

Karachi: September 18, 2015

Habib Metropolitan Bank Ltd.  
[Subsidiary of Habib Bank AG Zurich]

Treasury Division: 8th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi-Pakistan  
Tel: (92 21) 3263 3311-301 Fax: (92 21) 3227 4768, 3263 0495  
[www.habibmetro.com](http://www.habibmetro.com)

# INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015



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

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

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

We have audited the annexed financial statements comprising:

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

of **Pakistan Pension Fund** (the Fund) as at **30 June 2015** and for the year ended **30 June 2015** 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 Standards notified under sub-section (3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pension System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion:

- a) the financial statements prepared for the year have been properly drawn up in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;

A member firm of Ernst & Young Global Limited

# INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015

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-: 2 :-

- b) a true and fair view is given of the financial position and disposition of the Fund as at 30 June 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- e) proper books and records have been kept by the Fund and the financial statements prepared are in agreement with the Fund's books and records;
- f) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

## Emphasis of matter

We draw attention to note 7.1 to the accompanying financial statements which explains the matter with respect to the contribution for Workers' Welfare Fund amounting to Rs.2.561 million for which no provision has been made in the financial statements.

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

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 07 August 2015

Karachi

A member firm of Ernst & Young Global Limited

# STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2015

2015						
		PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	2014
Note		(Rupees)				
<b>Assets</b>						
Balances with banks	4	38,370,699	4,957,706	1,496,337	44,824,742	34,637,488
Investments (as per Statement of Investments by Category)		377,538,683	326,887,593	138,977,802	843,404,078	558,451,235
Dividend receivable		499,201	-	-	499,201	182,409
Interest receivable		63,810	10,507,736	12,695	10,584,241	11,093,118
Deposits and other receivables	5	2,773,613	210,000	110,000	3,093,613	3,004,950
<b>Total assets</b>		<b>419,246,006</b>	<b>342,563,035</b>	<b>140,596,834</b>	<b>902,405,875</b>	<b>607,369,200</b>
<b>Liabilities</b>						
Payable to Pension Fund Manager		584,294	514,654	217,067	1,316,015	816,310
Payable to Central Depository Company Limited - Trustee		46,900	41,355	17,480	105,735	74,925
Fee payable to the Securities and Exchange Commission of Pakistan - annual fee		93,027	95,731	46,481	235,239	158,347
Payable against purchase of equity securities		18,129,700	-	-	18,129,700	6,756,000
Accrued expenses and other liabilities	6	5,582,664	2,883,673	1,250,587	9,716,924	4,237,944
<b>Total liabilities</b>		<b>24,436,585</b>	<b>3,535,413</b>	<b>1,531,615</b>	<b>29,503,613</b>	<b>12,043,526</b>
<b>Net assets</b>		<b>394,809,421</b>	<b>339,027,622</b>	<b>139,065,219</b>	<b>872,902,262</b>	<b>595,325,674</b>
<b>Contingencies and commitments</b>	7					
<b>Participants Sub-Funds</b> (as per Statement of Movement in Participants' Sub-Funds)						
		<b>394,809,421</b>	<b>339,027,622</b>	<b>139,065,219</b>		
<b>Number of units in issue</b> (as per statement attached)						
		<b>1,050,272</b>	<b>1,652,600</b>	<b>720,481</b>		
<b>Net assets value per unit (Rupees)</b>						
		<b>375.91</b>	<b>205.15</b>	<b>193.02</b>		

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

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

  
Chief Executive Officer

  
Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

		2015				
		PPF Equity Sub-Fund	PPF Debt Sub- Fund	PPF Money Market Sub-Fund	Total	2014
Note		(Rupees)				
<b>Income</b>						
Capital gain / (loss) on sale of investments classified as:						
'available-for-sale'		11,803,216	7,251,292	-	19,054,508	8,194,242
'at fair value through profit or loss - held-for-trading'		48,772,782	7,556,649	19,044	56,348,475	32,581,619
Dividend income on shares classified as:						
'available-for-sale'		4,331,192	-	-	4,331,192	505,481
'at fair value through profit or loss - held-for-trading'		7,553,591	-	-	7,553,591	7,083,039
Income from Government Securities classified as:						
'available-for-sale'		-	19,092,616	-	19,092,616	4,524,634
'at fair value through profit or loss - held-for-trading'		-	10,384,522	12,779,919	23,164,441	24,867,433
Income from Term Finance Certificates and sukuk bonds classified as:						
'available-for-sale'		-	493,908	-	493,908	643,960
'at fair value through profit or loss - held-for-trading'		-	-	-	-	586,061
Profit on bank deposits		619,204	314,939	161,190	1,095,333	1,009,935
Unrealised gain on revaluation of investments						
'at fair value through profit or loss - held-for-trading' - net		19,636,495	1,581,201	91,954	21,309,650	24,665,024
Other income		-	-	-	-	110,658
<b>Total income</b>		<b>92,716,480</b>	<b>46,675,127</b>	<b>13,052,107</b>	<b>152,443,714</b>	<b>104,772,086</b>
<b>Expenses</b>						
Remuneration of Pension Fund Manager	9	4,186,408	4,308,231	2,091,860	10,586,499	7,125,624
Sales tax and Federal Excise Duty on remuneration of - Pension Fund Manager	6.1 & 10	1,398,261	1,438,949	698,682	3,535,892	2,462,615
Remuneration of Central Depository Company Limited - Trustee	11	347,053	345,807	162,168	855,028	-
Remuneration of Habib Metropolitan Bank Limited - Trustee		73,676	87,501	48,394	209,571	809,463
Annual fee - Securities and Exchange Commission of Pakistan (SECP)	12	93,027	95,730	46,482	235,239	158,348
Auditors' remuneration	13	172,154	177,094	85,971	435,219	428,335
Custody and settlement charges		396,170	275,207	-	671,377	483,383
Securities transaction cost		1,342,880	105,290	5,936	1,454,106	941,058
Legal and professional charges		44,925	39,046	16,029	100,000	-
Impairment against available-for-sale investment	14	2,429,500	-	-	2,429,500	-
Bank charges		6,558	57,470	37,372	101,400	14,832
Others		3,304	3,171	1,400	7,875	-
<b>Total expenses</b>		<b>10,493,916</b>	<b>6,933,496</b>	<b>3,194,294</b>	<b>20,621,706</b>	<b>12,423,658</b>
<b>Net income from operating activities</b>		<b>82,222,564</b>	<b>39,741,631</b>	<b>9,857,813</b>	<b>131,822,008</b>	<b>92,348,428</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those redeemed		19,139,290	4,163,616	(350,620)	22,952,286	13,029,655
Provision for Workers' Welfare Fund	6.2	(2,075,827)	(873,342)	(190,144)	(3,139,313)	(2,106,061)
		17,063,463	3,290,274	(540,764)	19,812,973	10,923,594
<b>Net income for the year before taxation</b>		<b>99,286,027</b>	<b>43,031,905</b>	<b>9,317,049</b>	<b>151,634,981</b>	<b>103,272,022</b>
Taxation	3.10	-	-	-	-	-
<b>Net income for the year after taxation</b>		<b>99,286,027</b>	<b>43,031,905</b>	<b>9,317,049</b>	<b>151,634,981</b>	<b>103,272,022</b>
<b>Earnings per unit</b>	15	<b>115.32</b>	<b>28.77</b>	<b>12.48</b>		

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

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

  
Chief Executive Officer

  
Director

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

		2015			
Note	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund (Rupees)	Total	2014
Net income for the year	99,286,027	43,031,905	9,317,049	151,634,981	103,272,022
<b>Other comprehensive income</b>					
Items to be reclassified to profit or loss in subsequent periods					
Net unrealized gain on revaluation of available-for-sale investments	11,475,487	4,864,899	-	16,340,386	693,440
Reclassification adjustment on sale / maturity of available-for-sale investments	(2,040,785)	(26,150)	-	(2,066,935)	(6,606,594)
14	9,434,702	4,838,749	-	14,273,451	(5,913,154)
<b>Total comprehensive income for the year</b>	<b>108,720,729</b>	<b>47,870,654</b>	<b>9,317,049</b>	<b>165,908,432</b>	<b>97,358,868</b>

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

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

  
Chief Executive Officer

  
Director



# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

	2015				2014
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	(Rupees)				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net income before taxation	99,286,027	43,031,905	9,317,049	151,634,981	103,272,022
<b>Adjustments for non cash charges and other items:</b>					
Capital gain / (loss) on sale of investments classified as:					
'available-for-sale'	(11,803,216)	(7,251,292)	(19,044)	(19,073,552)	(8,194,242)
'at fair value through profit or loss'	(48,772,782)	(7,556,649)	-	(56,329,431)	(32,581,619)
Unrealised (gain) / loss on revaluation of investments					
'at fair value through profit or loss - held-for-trading' - net	(19,636,495)	(1,581,201)	(91,954)	(21,309,650)	(24,665,024)
Impairment loss on listed equity securities					
classified as 'available-for-sale'	2,429,500	-	-	2,429,500	-
Element of income and capital gains included in prices					
of units issued less those redeemed	(19,139,290)	(4,163,616)	350,620	(22,952,286)	(13,029,655)
	(96,922,283)	(20,552,758)	239,622	(117,235,419)	(78,470,540)
<b>(Increase) / decrease in assets</b>					
Investments - net	(78,048,897)	(90,843,279)	(7,504,083)	(176,396,259)	(99,732,394)
Dividend receivable	(316,792)	-	-	(316,792)	724,631
Profit receivable	(26,263)	504,592	30,548	508,877	(7,942,874)
Deposits and other receivables	(68,663)	(10,000)	(10,000)	(88,663)	7,383,185
	(78,460,615)	(90,348,687)	(7,483,535)	(176,292,837)	(99,567,452)
<b>Increase / (Decrease) in liabilities</b>					
Payable to Pension Fund Manager	280,439	191,287	27,979	499,705	242,812
Payable to Central Depository					
Company Limited - Trustee	19,010	11,674	126	30,810	16,855
Annual fee - Securities and Exchange					
Commission of Pakistan (SECP)	40,287	31,159	5,446	76,892	48,875
Payable against purchase of equity securities	11,373,700	-	-	11,373,700	6,756,000
Accrued and other liabilities	3,129,592	1,770,387	579,001	5,478,980	(4,081,057)
	14,843,028	2,004,507	612,552	17,460,087	2,983,485
<b>Net cash (used in) / generated from operating activities</b>	(61,253,843)	(65,865,033)	2,685,688	(124,433,188)	(71,782,485)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Receipt of contribution	140,889,698	144,073,040	42,924,982	327,887,720	192,837,150
Payment against withdrawal	(47,622,593)	(93,524,695)	(52,119,990)	(193,267,278)	(92,725,196)
<b>Net cash generated from / (used in) financing activities</b>	93,267,105	50,548,345	(9,195,008)	134,620,442	100,111,954
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	32,013,262	(15,316,688)	(6,509,320)	10,187,254	28,329,469
Cash and cash equivalents at beginning of the year	6,357,437	20,274,394	8,005,657	34,637,488	6,308,019
<b>Cash and cash equivalents at end of the year</b>	38,370,699	4,957,706	1,496,337	44,824,742	34,637,488

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

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

  
Chief Executive Officer

  
Director

# STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB-FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	2015				
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	2014
	(Rupees)				
Net assets at beginning of the year	211,960,877	244,772,239	138,592,558	595,325,674	410,884,506
Amount received on issue of units	140,889,698	144,073,040	42,924,982	327,887,720	192,837,150
Amount paid on redemption of units	(47,622,593)	(93,524,695)	(52,119,990)	(193,267,278)	(92,725,196)
	93,267,105	50,548,345	(9,195,008)	134,620,442	100,111,954
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net					
- Amount representing accrued (income) / loss and realised capital (gains) / losses	(19,139,290)	(4,163,616)	350,620	(22,952,286)	(13,029,655)
- Amount representing unrealised (appreciation) / diminution in fair value of investments	(46,888,110)	(20,548,826)	3,979,897	(63,457,039)	(33,777,503)
	(66,027,400)	(24,712,442)	4,330,517	(86,409,325)	(46,807,158)
Unrealised gain / (loss) on revaluation of investment classified as available-for-sale	9,434,702	4,838,749	-	14,273,451	(5,913,154)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	46,888,110	20,548,826	(3,979,897)	63,457,039	33,777,503
Net income for the year after taxation	99,286,027	43,031,905	9,317,049	151,634,981	103,272,022
<b>Net Assets at end of the year</b>	<b>394,809,421</b>	<b>339,027,622</b>	<b>139,065,219</b>	<b>872,902,262</b>	<b>595,325,674</b>

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

  
 Chief Executive Officer

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

  
 Director

**STATEMENT OF INVESTMENTS BY CATEGORY  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015				
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	2014
	----- (Rupees) -----				
Investments 'at fair value through profit or loss' - held-for-trading					
Listed equity securities	79,262,747	-	-	79,262,747	200,576,352
Pakistan Investment Bonds	-	15,772,331	-	15,772,331	92,734,009
Market Treasury Bills	-	103,402,517	138,977,802	242,380,319	131,362,721
	79,262,747	119,174,848	138,977,802	337,415,397	424,673,082
'Available-for-sale' investments					
Listed equity securities	298,275,936	-	-	298,275,936	11,695,739
Pakistan Investment Bonds	-	205,130,937	-	205,130,937	119,508,782
Term Finance Certificates and Sukuk Bonds	-	2,581,808	-	2,581,808	2,573,632
	298,275,936	207,712,745	-	505,988,681	133,778,153
Investments at market value	377,538,683	326,887,593	138,977,802	843,404,078	558,451,235

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

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

  
Chief Executive Officer

  
Director

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

## Pakistan Pension Fund



'AVAILABLE-FOR-SALE' INVESTMENTS PPF EQUITY SUB-FUND LISTED EQUITY SECURITIES										
Name of the Investee Company	(Number of shares)					Balance as at June 30, 2015			Market value as a % of net assets of the sub-fund	% of the paid-up capital of the company
	As at July 01, 2014	Purchased during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2015	Cost	Market value	Appreciation/ (Diminution)		
						(Rupees)			%	%
<b>SHARES OF LISTED COMPANIES - fully paid ordinary shares of Rs.10 each unless stated otherwise</b>										
<b>Oil and gas</b>										
Pakistan Oilfields Limited	-	50,000	-	8,000	42,000	14,431,561	16,960,440	2,528,879	4.30	0.0178
Pakistan Petroleum Limited	35,000	145,000	-	50,000	130,000	22,399,416	21,353,800	(1,045,616)	5.41	0.0066
Oil & Gas Development Company Limited	-	150,000	-	-	150,000	28,412,790	26,886,000	(1,526,790)	6.81	0.0035
Pakistan State Oil Company Limited	-	56,000	-	-	56,000	22,547,392	21,604,240	(943,152)	5.47	0.0206
Shell Pakistan Limited	-	41,000	-	-	41,000	9,112,775	10,371,360	1,258,585	2.63	0.0383
National Refinery Limited	-	28,100	-	-	28,100	6,527,931	6,520,886	(7,045)	1.65	0.0351
					447,100	103,431,865	103,696,726	264,861	26.27	
<b>Automobile and parts</b>										
Indus Motors Company Limited	-	17,000	-	8,000	9,000	9,453,533	11,241,000	1,787,467	2.85	0.0115
Pak Suzuki Motor Company	-	2,000	-	-	2,000	722,646	871,820	149,174	0.22	0.0024
					11,000	10,176,179	12,112,820	1,936,641	3.07	
<b>Cable and electrical goods</b>										
Pak Elektron Limited	-	215,000	-	101,000	114,000	5,669,380	9,432,360	3,762,980	2.39	0.0286
					114,000	5,669,380	9,432,360	3,762,980	2.39	
<b>Chemicals</b>										
ICI Pakistan Limited	-	30,000	-	-	30,000	11,993,823	12,866,100	872,277	3.26	0.0325
Linde Pakistan Limited	-	38,000	-	-	38,000	7,745,700	5,316,200	(2,429,500)	1.35	0.1518
					68,000	19,739,523	18,182,300	(1,557,223)	4.61	
<b>Engineering</b>										
Mughal Iron & Steel Limited	-	135,000	-	-	135,000	7,304,891	7,592,400	287,509	1.92	0.1234
					135,000	7,304,891	7,592,400	287,509	1.92	
<b>Fertilizer</b>										
Engro Corporation Limited	-	51,000	-	46,000	5,000	1,200,012	1,484,000	283,988	0.38	0.0010
Fauji Fertilizer Company Limited	-	203,100	-	148,100	55,000	7,987,837	8,218,100	230,263	2.08	0.0043
					60,000	9,187,849	9,702,100	514,251	2.46	
<b>Food and personal care products</b>										
Shezan International Limited	-	2,500	-	-	2,500	3,163,085	2,283,750	(879,335)	0.58	0.0313
					2,500	3,163,085	2,283,750	(879,335)	0.58	
<b>Glass and ceramics</b>										
Tariq Glass Industries Limited	-	167,500	-	-	167,500	9,554,100	9,797,075	242,975	2.48	0.2280
					167,500	9,554,100	9,797,075	242,975	2.48	
<b>Insurance</b>										
Century Insurance Company Limited	-	208,500	-	-	208,500	5,725,744	4,378,500	(1,347,244)	1.11	0.4560
					208,500	5,725,744	4,378,500	(1,347,244)	1.11	
<b>Sugar and allied industries</b>										
* Habib Sugar Mills Limited	-	290,000	-	-	290,000	11,764,546	12,133,600	369,054	3.07	0.1933
Mirpurkhas Sugar Mills Limited	-	4,500	-	-	4,500	318,596	326,250	7,654	0.08	0.0367
					294,500	12,083,142	12,459,850	376,708	3.15	
<b>Paper and board</b>										

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\* These have a face value of Rs.5 per share

\*\* These have a face value of Re.1 per share

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

  
\_\_\_\_\_  
Director



# STATEMENT OF OTHER INVESTMENTS FOR THE YEAR ENDED JUNE 30, 2015

## PPF DEBT SUB-FUND

'AT FAIR VALUE THROUGH PROFIT OR LOSS'- HELD-FOR-TRADING

Name of investment	Face value				Balance as at June 30, 2015			Market value as % of net assets of sub-funds
	As at July 01, 2014	Purchases during the year	Sales / matured during the year	As at June 30, 2015	Cost	Market value	Appreciation	
								(Rupees) ----- %
<b>Government securities</b>								
Pakistan Investment Bonds	94,000,000	270,855,000	350,000,000	14,855,000	14,570,141	15,772,331	1,202,190	4.65
Market Treasury Bills	-	163,525,000	56,725,000	106,800,000	103,023,506	103,402,517	379,011	30.50
	<u>94,000,000</u>	<u>434,380,000</u>	<u>406,725,000</u>	<u>121,655,000</u>	<u>117,593,647</u>	<u>119,174,848</u>	<u>1,581,201</u>	

Market value of government securities

Total	
2015	2014
----- (Rupees) -----	
<u>119,174,848</u>	<u>92,734,009</u>
<u>119,174,848</u>	<u>92,734,009</u>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

# STATEMENT OF OTHER INVESTMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Name of the investee company	Number of certificates				Balance as at June 30, 2015			Market value as a % of net assets of the sub-fund	Market value as a % of total investments	Percentage in relation to the total size of the issue
	As at July 01, 2014	Purchases during the year	Sales / matured during the year	As at June 30, 2015	Cost	Market value	Appreciation / (Diminution)			
<div>----- (Rupees) -----</div> <div>%</div> <div>%</div> <div>%</div>										
Term finance certificates										
Bank Alfalah Limited										
TFC - IV (Floating) (December 09, 2009)	500	-	-	500	2,495,748	2,581,808	86,060	0.76%	0.79%	0.05
Sukuk bonds										
Pak Elektron Limited (September 28, 2007)	750	-	-	750	1,378,937	-	-	-	-	-
Less: Provision for impairment	-	-	-	-	(1,378,937)	-	-	-	-	-
	1,250	-	-	1,250	2,495,748	2,581,808	86,060	0.76%	0.79%	
Government securities										
Pakistan Investment Bonds	121,000,000	866,850,000	796,000,000	191,850,000	199,959,391	205,130,937	5,171,546	61%	NA	NA
	121,000,000	866,850,000	796,000,000	191,850,000	199,959,391	205,130,937	5,171,546	61%		

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

Total	
2015	2014
----- (Rupees) -----	
205,130,937	119,508,782
2,581,808	2,573,632
<b>207,712,745</b>	<b>122,082,414</b>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

# STATEMENT OF OTHER INVESTMENTS FOR THE YEAR ENDED JUNE 30, 2015

## PPF DEBT SUB-FUND

'AT FAIR VALUE THROUGH PROFIT OR LOSS'- HELD-FOR-TRADING

	Face value				As at June 30, 2015			Market value as a % of net assets of the sub-fund
	As at July 01, 2014	Purchases during the year	Sales / maturities during the year	As at June 30, 2015	Carrying value	Market value	Appreciation / (Diminution)	
	----- (Rupees) -----							
Pakistan investment bonds (10 years)	-	250,130,000	250,000,000	130,000	131,240	145,336	14,096	0.04%
Pakistan investment bonds (5 years)	-	360,000	-	360,000	365,175	393,719	28,544	0.12%
Pakistan investment bonds (3 years)	94,000,000	20,365,000	100,000,000	14,365,000	14,073,726	15,233,276	1,159,550	4.49%
<b>Total</b>	<b>94,000,000</b>	<b>270,855,000</b>	<b>350,000,000</b>	<b>14,855,000</b>	<b>14,570,141</b>	<b>15,772,331</b>	<b>1,202,190</b>	

## AVAILABLE-FOR-SALE'

	Face value				As at June 30, 2015			Market value as a % of net assets of the sub-fund
	As at July 01, 2014	Purchases during the year	Sales / maturities during the year	As at June 30, 2015	Carrying value	Market value	Appreciation / (Diminution)	
(Rupees)								
Pakistan investment bonds (15 years)	-	3,500,000	-	3,500,000	3,589,836	3,599,488	9,652	1%
Pakistan investment bonds (10 years)	-	749,800,000	700,000,000	49,800,000	56,344,819	55,626,913	(717,906)	16%
Pakistan investment bonds (7 years)	5,000,000	-	-	5,000,000	4,950,698	5,037,895	87,197	1%
Pakistan investment bonds (5 years)	-	80,000,000	50,000,000	30,000,000	32,258,086	32,820,138	562,052	10%
Pakistan investment bonds (3 years)	116,000,000	33,550,000	46,000,000	103,550,000	102,815,953	108,046,503	5,230,550	32%
Total	121,000,000	866,850,000	796,000,000	191,850,000	199,959,392	205,130,937	5,171,545	

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

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

  
Chief Executive Officer

  
Director

# STATEMENT OF OTHER INVESTMENTS FOR THE YEAR ENDED JUNE 30, 2015

## PPF DEBT SUB-FUND

'AT FAIR VALUE THROUGH PROFIT OR LOSS'- HELD-FOR-TRADING

Months	Face value				As at June 30, 2015			Market value as a % of net asset of the sub-fund
	As at July 01, 2014	Purchases during the year	Sales / maturities during the year	As at June 30, 2015	Carrying value	Market value	Appreciation / (diminution)	
----- (Rupees) -----								
Treasury Bills (12 months)	-	89,300,000	12,500,000	76,800,000	73,293,647	73,685,685	392,038	21.73%
Treasury Bills (6 months)	-	36,225,000	6,225,000	30,000,000	29,729,859	29,716,832	(13,027)	8.77%
Treasury Bills (3 months)	-	38,000,000	38,000,000	-	-	-	-	-
<b>Total</b>	-	163,525,000	56,725,000	106,800,000	103,023,506	103,402,517	379,011	

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

# STATEMENT OF OTHER INVESTMENTS FOR THE YEAR ENDED JUNE 30, 2015

## PPF MONEY MARKET SUB-FUND

'AT FAIR VALUE THROUGH PROFIT OR LOSS'- HELD-FOR-TRADING

Name of investment	Face value				Balance as at June 30, 2015			Market value as % of net assets
	As at July 01, 2014	Purchases during the year	Sales / maturities during the year	As at June 30, 2015	Cost	Market value	Appreciation	
(Rupees)								
'At fair value through profit or loss' - held-for-trading								
Market Treasury Bills	134,000,000	506,900,000	500,500,000	140,400,000	138,885,848	138,977,802	91,954	99.94%
	134,000,000	506,900,000	500,500,000	140,400,000	138,885,848	138,977,802	91,954	99.94%

Total	
2015	2014
(Rupees)	
138,977,802	131,362,721

Market value

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

# STATEMENT OF OTHER INVESTMENTS FOR THE YEAR ENDED JUNE 30, 2015

## PPF MONEY MARKET SUB-FUND

'AT FAIR VALUE THROUGH PROFIT OR LOSS' - HELD-FOR-TRADING

	Face value				As at June 30, 2015			Market value as a % of net assets of the sub-fund
	As at July 01, 2014	Purchases during the year	Sales / maturities during the year	As at June 30, 2015	Carrying value	Market value	Appreciation / (diminution)	
----- (Rupees) -----								
Treasury Bills (6 months)	76,000,000	156,400,000	148,500,000	84,400,000	55,695,000	55,687,407	(7,593)	40.04%
Treasury Bills (3 months)	58,000,000	350,500,000	352,000,000	56,000,000	83,190,848	83,290,395	99,547	59.89%
<b>Total</b>	134,000,000	506,900,000	500,500,000	140,400,000	138,885,848	138,977,802	91,954	

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

# CONTRIBUTION TABLE FOR THE YEAR ENDED JUNE 30, 2015

Contributions net of front end fee	June 30, 2015						Total (Rupees)	Total June 30, 2014 (Rupees)
	PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund			
	Units	Rupees	Units	Rupees	Units	Rupees		
Opening balance	777,875	89,205,416	1,394,240	191,546,632	769,542	100,627,751	381,379,799	281,267,845
Individuals - issue of units	439,423	140,889,698	788,291	144,073,040	246,769	42,924,982	327,887,720	192,837,150
- redemption of units	(167,026)	(47,622,593)	(529,931)	(93,524,695)	(295,830)	(52,119,990)	(193,267,278)	(92,725,196)
	272,397	93,267,105	258,360	50,548,345	(49,061)	(9,195,008)	134,620,442	100,111,954
Closing balance	1,050,272	182,472,521	1,652,600	242,094,977	720,481	91,432,743	516,000,241	381,379,799

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

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

  
Chief Executive Officer

  
Director



**STATEMENT OF NUMBER OF UNITS IN ISSUE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>PPF Equity Sub-Fund</b>	<b>PPF Debt Sub-Fund</b>	<b>PPF Money Market Sub-Fund</b>
	-----	(Number of units)	-----
Total units outstanding at beginning of the year	777,875	1,394,240	769,542
Add: Units issued during the year	439,423	788,291	246,769
Less: Units redeemed during the year	(167,026)	(529,931)	(295,830)
<b>Total units in issue at the end of the year</b>	<b><u>1,050,272</u></b>	<b><u>1,652,600</u></b>	<b><u>720,481</u></b>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

## FINANCIAL PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2015

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2015 ----- (Rupees) -----	June 30, 2014	% Change	June 30, 2015 ----- (Rupees) -----	June 30, 2014	% Change	June 30, 2015 ----- (Rupees) -----	June 30, 2014	% Change
Net income after taxation	99,286,027	76,810,492	29%	43,031,905	17,087,245	152%	9,317,049	9,374,285	-1%
Realised capital gains / (losses)	60,575,998	41,592,055	46%	14,807,941	(828,958)	1886%	19,044	12,764	49%
Unrealised gains / (losses)	29,071,197	18,904,591	54%	6,419,950	(125,201)	5228%	91,954	(27,520)	434%
Impairment loss on available-for-sale investment	(2,429,500)	-	100%	-	-	0%	-	-	0%
Dividend income / interest income	12,503,987	7,967,653	57%	30,285,985	19,666,990	54%	12,941,109	11,585,900	12%
Net assets value per unit	375.91	272.49	38%	205.15	175.56	17%	193.02	180.10	7%
Earnings per unit	115.32	110.56	4%	28.77	14.86	94%	12.48	13.24	-6%
Transactions in securities									
Purchases	591,106,994	298,624,552	97.94	1,403,582,825	927,927,700	51.26	494,851,052	577,917,963	(14.37)
Sales	549,899,221	273,573,555	101.01	1,527,286,852	879,916,930	73.57	494,851,052	569,109,904	(13.05)
Total contribution received	140,889,698	63,051,060	123%	144,073,040	90,363,277	59%	42,924,982	39,422,813	9%

### Lowest and highest issue price of units during the year

PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund	
Lowest issue price	Highest issue price	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price
----- (Rupees) -----					
259.98	381.27	175.56	206.85	180.10	192.97

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

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

  
Chief Executive Officer

  
Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** The Pakistan Pension Fund (the Fund) was established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited as Pension Fund Manager and Muslim Commercial Financial Services (Private) Limited (MCFSL) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 24, 2007 and was executed on June 04, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). Habib Metropolitan Bank Limited was appointed as the new Trustee in place of MCFSL through a revised Trust Deed dated June 16, 2011 which was approved by SECP on July 07, 2011. Central Depository Company of Pakistan Limited was appointed as the new Trustee in place of HMBL through a revised Trust Deed dated July 21, 2014 which was approved by SECP on July 23, 2014. PPF is an open-ended pension fund consisting of three sub-funds namely PPF Equity Sub-Fund, PPF Debt Sub-Fund and PPF Money Market Sub-Fund. Units are offered for public subscription on a continuous basis. The number of units of any sub-fund purchased out of contributions depends on the Allocation Scheme selected by the respective Participant out of the allocation schemes offered by the Pension Fund Manager.
- 1.2** MCB-Arif Habib Saving and Investments Limited has been licensed to act as a Pension Fund Manager under VPS Rules through a certificate of registration issued by the SECP. The registered office of the Pension Fund Manager is situated at Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.3** Title to the assets of the Fund is held in the name of Central Depository Company Limited as trustee of the Fund.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Accounting convention

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

### 2.3 New Standards, Interpretations and Amendments

The Fund has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 32 – Financial Instruments : Presentation – (Amendment)

– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)

– Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)

– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## **Improvements to Accounting Standards Issued by the IASB**

IFRS 2 Share-based Payment – Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination  
– Scope exceptions for joint ventures

IFRS 8 Operating Segments – Aggregation of operating segments  
– Reconciliation of the total of the reportable segments’  
assets to the entity’s assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method –  
proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

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

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

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

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	January 01, 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<b>Effective date (annual periods beginning on or after)</b>
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

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

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

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

<b>Standards</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018

### **2.5 Critical accounting estimates and judgments**

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1 Financial assets**

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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### 3.1.1 Classification

The Fund classifies its financial assets in the following categories: 'investment at fair value through profit or loss' - held-for-trading, 'loans and receivables' and 'available-for-sale investment'. 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) Investments at fair value through profit or loss

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

#### 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 designated 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' - held-for-trading and 'available-for-sale' are valued as follows:

#### a) Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan, except for Government of Pakistan Ijarah Sukuks, which are valued on the basis of broker average rates obtained from Mutual Funds Association of Pakistan (MUFAP).

#### b) Equity securities

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

#### c) Debt securities

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

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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recognised directly in other comprehensive income is reclassified from other comprehensive income to income statement as a reclassification adjustment.

Loans and receivables are carried at amortised cost.

### **3.1.5 Impairment**

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

During the year, provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 1 dated January 06, 2009 as amended by Circular No. 33 dated October 24, 2012 and Circular No. 13 dated May 04, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

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

### **3.1.6 Derecognition**

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

### **3.1.7 Offsetting of financial assets and financial liabilities**

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

### **3.1.8 Reclassification**

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

### **3.2 Financial liabilities**

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

### **3.3 Derivatives**

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

### **3.4 Formation cost**

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

### **3.5 Issue, allocation, reallocation and redemption of units**

Contribution received from a participant is allocated to the sub-funds on the basis of the allocation scheme selected by the Participant out of the allocation schemes offered by the Pension Fund Manager. Units issued in respect of a sub-fund are recorded at the offer price of that sub-fund, determined by the Pension Fund Manager for the applications received by the distributors during business hours on that day. The offer price represents the Net Asset Value per unit of the sub-funds as of



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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the close of the business day plus the allowable sales load and provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Pension Fund Manager.

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

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealized gains / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized in the Income Statement.

### **3.7 Provisions**

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

### **3.8 Net asset value per unit**

The Net Asset Value per unit as disclosed on the balance sheet is calculated by dividing the net assets of a sub-fund by the number of units of the sub-funds in circulation at the year end.

### **3.9 Earnings per unit**

Earning Per Unit (EPU) for the year ended June 30, 2015 in respect of each sub-fund, has been calculated by dividing the net income after taxation of a sub-fund by weighted average number of units of the sub-fund in circulation during the year.

### **3.10 Taxation**

The income of Pakistan Islamic Pension Fund is exempt from tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Further, 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' - held-for-trading are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.
- Income from term finance certificates is recognised on time proportion basis.
- Income from government securities is accrued using the effective interest rate method.
- Profit on bank deposits is recognised on an accrual basis.

### **3.12 Cash and cash equivalents**

Cash and cash equivalents comprise of balances with banks.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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.

June 30, 2015				
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
Note ----- (Rupees) -----				June 30, 2014

## 4. BALANCES WITH BANKS

Current account	10,017,246	10,043	4,494	10,031,783	-
Savings account	28,353,453	4,947,663	1,491,843	34,792,959	34,637,488
	38,370,699	4,957,706	1,496,337	44,824,742	34,637,488

- 4.1 Savings accounts with the bank carry interest at the rates ranging from 6.00% to 7.25% (2014: 7% to 7.25%) per annum and include balance of Rs.10.032 million (2014: Rs.Nil) with MCB Bank Limited (a related party).

June 30, 2015				
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- (Rupees) -----				June 30, 2014

## 5. DEPOSITS AND OTHER RECEIVABLES

Security deposit - Central Depository Company of Pakistan Limited	200,000	200,000	100,000	500,000	500,000
Security deposit - National Clearing Company of Pakistan Limited	2,500,000	-	-	2,500,000	2,500,000
Advance tax	40,663	-	-	40,663	4,950
Other receivables	32,950	10,000	10,000	52,950	-
	2,773,613	210,000	110,000	3,093,613	3,004,950

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

June 30, 2015				June 30, 2014
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- (Rupees)-----				

## 6. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for federal excise duty on remuneration of Pension Fund Manager (note 6.1)	1,228,878	1,354,554	742,542	3,325,974	1,378,056
Audit fee	103,834	106,813	51,853	262,500	260,000
Provision for Workers' Welfare Fund (note 6.2)	3,842,079	1,302,056	415,088	5,559,223	2,419,911
Payable against redemption of units	-	-	19,912	19,912	22,098
Withholding tax payable	120,962	84,566	19,230	224,758	-
Others	286,911	35,684	1,962	324,557	157,879
	<b>5,582,664</b>	<b>2,883,673</b>	<b>1,250,587</b>	<b>9,716,924</b>	<b>4,237,944</b>

**6.1** The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 whereby Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by asset management companies. In this regard, a Constitutional Petition has been filed by certain collective investment schemes (CISs) and Pension Funds through their trustees in the Honourable High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management services after the eighteenth amendment. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in these financial statements aggregating to Rs.3.326 million as at June 30, 2015 (2014: Rs.1.378 million). In case the suit is decided against the Fund, the same would be paid to the Pension Fund Manager, who will be responsible for submitting it to the authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Asset Value (NAV) per unit of the Fund would have been higher by Rs.1.17 per unit (2014: Re.0.59 per unit) in respect of equity sub fund, Re.0.82 per unit (2014: Re.0.40 per unit) in respect of debt sub fund and Rs.1.03 per unit (2014: Re.0.46 per unit) in respect of money market sub fund as at June 30, 2015.

**6.2** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (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, all Collective Investment Schemes (CISs) / mutual funds 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 Collective Investment Schemes (CISs) through their trustees in the Honorable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

However, in 2013, a Larger Bench of the SHC issued a judgment in response to a petition in another similar case in which it was held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

The Pension Fund Manager as a matter of abundant caution started making provision effective from May 10, 2013 in view of the afore mentioned developments and uncertainties created by the recent decision of the Honorable Sindh High Court. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs.3.66 per unit (0.97%) (2014: Rs.1.50 per unit (0.83%)), Rs.0.79 per unit (0.38%) (2014: Rs.0.57 per unit (0.18%)) and Rs.0.58 per unit (0.30%) (2014: Rs.0.77 per unit (0.16%)) for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no provision for WWF is made from July 01, 2015 onwards. However, provision made from May 10, 2013 to June 30, 2015 has not been reversed as the above lawsuit is pending in the SHC.

### 7. CONTINGENCIES AND COMMITMENTS

7.1 As disclosed in note 6.2, the Fund commenced making provision in respect of WWF with effect from May 10, 2013. The unrecognised liability for contribution to WWF for the period from July 01, 2008 to May 09, 2013 amounts to Rs.1.168 million, Rs.0.801 million and Rs.0.592 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund (aggregating to Rs.2.561 million) respectively.

7.2 There were no commitments outstanding as at June 30, 2015 (2014: Nil).

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

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

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

### 9. REMUNERATION OF PENSION FUND MANAGER

This represents remuneration of the Pension Fund Manager at the rate of 1.5 percent (2014: 1.5 percent) of the average of the amount of net assets of each sub-fund computed each day for determining the prices of units of the sub-funds.

### 10. SALES TAX ON REMUNERATION OF PENSION FUND MANAGER

The Sindh Provincial Government has levied Sindh Sales Tax through Sindh Sales Tax on Services Act, 2011 at the rate of 15% (2014: 16%) on Pension Fund Manager's remuneration.

### 11. REMUNERATION OF CENTRAL DEPOSITORY COMPANY LIMITED - TRUSTEE

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

### 12. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

For the year ended June 30, 2015				For the year ended June 30, 2014
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

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

### 13. AUDITORS' REMUNERATION

Audit fee	98,889	101,727	49,384	250,000	250,000
Half yearly review fee	49,445	50,863	24,692	125,000	125,000
	148,334	152,590	74,076	375,000	375,000
Sales tax on remuneration	7,417	7,630	3,704	18,751	15,000
Out-of-pocket expenses	16,403	16,874	8,191	41,468	38,335
	172,154	177,094	85,971	435,219	428,335

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

	June 30, 2015				June 30, 2014
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- (Rupees) -----					
Market value	298,275,936	207,712,745	-	505,988,681	133,778,153
Average cost	(289,229,949)	(203,834,076)	-	(493,064,025)	(132,565,778)
Impairment loss					
Opening	-	1,378,937	-	1,378,937	1,378,937
Charged during the year	2,429,500	-	-	2,429,500	-
	2,429,500	1,378,937	-	3,808,437	1,378,937
Surplus net of impairment loss	11,475,487	5,257,606	-	16,733,093	2,591,312
Reversal	2,040,785	26,150	-	2,066,935	-
Net unrealised appreciation in the fair value of investments at the beginning of the year	(2,040,785)	(418,857)	-	(2,459,642)	(8,504,466)
Appreciation / (diminution) during the year	11,475,487	4,864,899	-	16,340,386	(5,913,154)

## 15. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2015 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, 2015		
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund
Weighted average number of units	860,957	1,495,571	746,587
Net income after taxation	99,286,027	43,031,905	9,317,049
Earnings per unit	115.32	28.77	12.48

## 16. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include MCB-Arif Habib Savings and Investments Limited being the Pension Fund Manager and MCB Bank Limited being the Holding Company of MCB-Arif Habib Savings and Investments Limited, Central Depository Company Limited being the Trustee, other collective investment schemes managed by the Pension Fund Manager as Management Company and directors and executives of the Pension Fund Manager.

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**16.1 Transactions during the year**

	Year ended June 30, 2015				Year ended June 30, 2014
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	----- (Rupees) -----				
<b>MCB-Arif Habib Savings and Investments Limited (Pension Fund Manager)</b>					
Remuneration including indirect taxes	5,584,669	5,747,180	2,790,542	14,122,391	8,448,140
Redemption of PPF Equity Sub-Fund Nil units (2014: 47,804)	-	-	-	-	11,100,000
Sindh sales tax registration charges	3,304	3,171	1,400	7,875	-
Legal and professional charges	44,925	39,046	16,029	100,000	-
<b>Habib Metropolitan Bank Limited - Trustee</b>					
Remuneration	73,676	87,501	48,394	209,571	809,463
Mark-up earned	135,772	80,584	41,932	258,288	1,009,935
Bank charges	321	1,614	1,932	3,867	14,832
<b>MCB Bank Limited</b>					
Mark-up earned	7,621	420	294	8,335	-
Bank charges	374	386	5,800	6,560	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>					
Remuneration	347,053	345,807	162,168	855,028	-
<b>Brokerage</b>					
Arif Habib Limited	136,451	-	840	137,291	29,790
Next Capital Limited	11,406	9,467	650	21,523	-
<b>Directors and officers</b>					
Issue of 17,799 units of PPF Equity Sub-Fund (2014: 8,990 units)	4,962,265	-	-	4,962,265	2,138,043
Issue of 7,430 units of PPF Debt Sub-Fund (2014: 19,150 units)	-	1,364,825	-	1,364,825	3,220,694
Issue of 638 units of PPF Money Market Sub-Fund (2014: 19,756 units)	-	-	117,379	117,379	3,412,312
Redemption of 13,209 units of PPF Equity Sub-Fund (2014: 14,077 units)	3,501,206	-	-	3,501,206	2,942,120
Redemption of 25,548 units of PPF Debt Sub-Fund (2014: 11,377 units)	-	4,740,192	-	4,740,192	1,936,078
Redemption of 23,231 units of PPF Money Market Sub-Fund (2014: 10,375 units)	-	-	4,283,715	4,283,715	1,850,267

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## 16.2 Amounts outstanding as at the year end

	As at June 30, 2015				As at June 30, 2014
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- (Rupees) -----					
<b>MCB-Arif Habib Savings and Investments Limited</b>					
<b>Pension Fund Manager</b>					
Remuneration payable	469,017	413,572	174,816	1,057,405	703,716
Sindh sales tax payable	70,352	62,036	26,222	158,610	112,594
Investment of 252,196 units as seed capital in each sub-fund (2014: 252,196)	94,802,996	-	-	94,802,996	68,720,186
Investment of 300,000 units as seed capital in each sub-fund (2014: 300,000)	-	61,545,000	57,906,000	119,451,000	106,697,146
Legal and professional charges	44,925	39,046	16,029	100,000	-
<b>MCB Bank Limited</b>					
Bank balance	10,017,246	10,043	4,494	10,031,783	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>					
Remuneration payable	46,900	41,355	17,480	105,735	-
Security deposit	200,000	200,000	100,000	500,000	500,000
<b>Brokerage payable</b>					
Arif Habib Limited	14,528	-	515	15,043	1,550
Next Capital Limited	5,732	-	-	5,732	-
<b>Directors and officers</b>					
Investment in PPF Equity sub-fund 36,277 units (2014: 31,574 units)	13,636,923	-	-	13,636,923	8,603,511
Investment in PPF Debt sub-fund 14,024 units (2014: 32,029 units)	-	2,877,023	-	2,877,023	5,622,999
Investment in PPF Money Market sub-fund 4 units (2014: 22,631 units)	-	-	836	836	4,075,787

## 17. FINANCIAL RISK MANAGEMENT

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

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

### 17.1 Market risk

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

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

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

#### 17.1.1 Currency risk

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

#### 17.1.2 Interest rate risk

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

#### Sensitivity analysis for variable rate instruments

a) As at June 30, 2015, the Debt Sub-Fund holds:

KIBOR based profit bearing TFCs and Sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR, with all other variables held constant, the net assets of the Fund as on June 30, 2015 and net income for the year then ended would have been higher / lower by Rs.0.02 million (2014: Rs.0.095 million).

b) Money Market Sub-Fund and Debt Sub-Fund holds Pakistan Investment Bonds which are classified as 'available-for-sale' and 'at fair value through profit or loss', exposing the Sub-Funds to interest rate risk. In case of 100 basis points increase / decrease in rates announced by MUFAP (Mutual Funds Association of Pakistan) on June 30, 2015, with all other variables held constant, the net assets of the Fund and net income for the year would have been lower / higher by Rs.5.34 million (2014: Rs.2.15 million).

c) The Fund holds balances in deposit accounts with banks, exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR, with all other variables held constant, the net assets of the Fund as on June 30, 2015 and net income for the year then ended would have been higher / lower by Rs.0.348 million (2014: Rs.0.346 million).

The composition of the Fund's investment portfolio, KIBOR rates, rates announced by Reuters and rates announced by MUFAP are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

	June 30, 2015												
	PPF Equity Sub-Fund				PPF Debt Sub-Fund				PPF Money Market Sub-Fund				
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
	Upto three months	More than three months and up to one year	More than one year		Upto three months	More than three months and up to one year	More than one year		Upto three months	More than three months and up to one year	More than one year		
Total													
<b>On-balance sheet financial instruments</b>													
<b>Financial assets</b>													
Balances with banks	34,792,959	28,353,453	-	-	-	4,947,663	-	-	-	1,491,843	-	-	-
Investments	843,404,078	-	-	-	377,538,683	-	2,581,808	324,305,785	-	-	-	-	138,977,802
Dividend receivable	499,201	-	-	-	499,201	-	-	-	-	-	-	-	-
Interest receivable	10,584,241	-	-	-	63,810	-	-	-	10,507,736	-	-	-	12,695
Deposits and other receivables	3,052,950	-	-	-	2,732,950	-	-	-	210,000	-	-	-	110,000
	892,333,429	28,353,453	-	-	380,834,644	4,947,663	2,581,808	324,305,785	10,717,736	1,491,843	-	-	139,100,497
<b>Financial liabilities</b>													
Payable to Pension Fund Manager	1,316,015	-	-	-	584,294	-	-	-	514,654	-	-	-	217,067
Payable to Central Depository Company Limited - Trustee	105,735	-	-	-	46,900	-	-	-	41,355	-	-	-	17,480
Payable against purchase of equity securities	18,129,700	-	-	-	18,129,700	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	608,214	-	-	-	389,804	-	-	-	142,497	-	-	-	75,913
	20,159,664	-	-	-	19,150,698	-	-	-	698,506	-	-	-	310,460
<b>On-balance sheet gap</b>	872,173,765	28,353,453	-	-	361,683,946	4,947,663	2,581,808	324,305,785	10,019,230	1,491,843	-	-	138,790,037
<b>Total interest rate sensitivity gap</b>	872,173,765	28,353,453	-	-	361,683,946	4,947,663	2,581,808	324,305,785	10,019,230	1,491,843	-	-	138,790,037
<b>Cumulative interest rate sensitivity gap</b>	28,353,453	28,353,453	28,353,453	390,037,399	4,947,663	7,529,471	331,835,256	341,854,486	1,491,843	1,491,843	1,491,843	1,491,843	140,281,880

There is no off-balance sheet financial instrument that exists as at the year ended June 30, 2015.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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### 17.1.3 Price risk

#### Equity Sub-Fund

Price risk is a risk that the value of financial instruments may fluctuate as a result of changes in market price. The Equity Sub-Fund is exposed to equity price risk because of investments held by the Equity Sub-Fund and classified on the balance sheet as 'available-for-sale' and 'at fair value through profit or loss' - held-for-trading. To manage its price risk arising from investment in equity securities, the Equity Sub-Fund's investment policy limits investments in listed shares of one company to not more than 10% of its net assets. Moreover, the sector limits have been restricted to 35% of the net assets of the Sub-Fund.

In case of 5% increase / decrease in KSE 100 index on June 30, 2015, the net assets relating to the Equity Sub-Fund and total net assets of the Fund would increase / decrease by Rs.20.48 million (2014: Rs.10.09 million) as a result of gains / losses on equity securities classified as available-for-sale and at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Sub-Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Sub-Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the effect on the Sub-Fund's net assets of future movements in the level of KSE 100 index.

#### Debt Sub-Fund

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

In case of increase / decrease in price of TFCs and Sukuk bonds as a result of 5% increase / decrease in rates determined by MUFAP as on June 30, 2015, the net assets relating to the Debt Sub-Fund and total net assets of the Fund would increase / decrease by Rs.0.129 million (2014: Rs.0.128 million) as a result of gains / losses on TFCs and Sukuk bonds classified as 'available-for-sale' and 'at fair value through profit or loss' - held-for-trading.

The analysis is based on the assumption that the price had increased / decreased as a result of decrease / increase in effective yield by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the effective yield. The composition of the Sub-Fund's investment portfolio is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the effect on the Sub-Fund's net assets of future movements in the level of effective yield.

### 17.2 Credit risk

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

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2015 and June 30, 2014 is the carrying amounts of following financial assets.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

As at June 30, 2015					As at June 30, 2014
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total		
----- (Rupees) -----					
Balances with banks	38,370,699	4,957,706	1,496,337	44,824,742	34,637,488
Investments	-	2,581,808	-	2,581,808	2,573,632
Dividend receivable	499,201	-	-	499,201	182,409
Interest receivable	63,810	23,984	12,695	100,489	111,474
Deposits and other receivables	32,950	10,000	10,000	52,950	-
	<b>38,966,660</b>	<b>7,573,498</b>	<b>1,519,032</b>	<b>48,059,190</b>	<b>37,505,003</b>

All deposits with National Clearing Company of Pakistan Limited and Central Depository Company of Pakistan Limited - CDC are highly rated and risk of default is considered minimal.

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2015 and June 30, 2014:

Bank balances by rating category	Rating Agency	Rating Long-term / Short-term	2015 ----- (Rupees) -----	2014
Habib Metropolitan Bank Limited	PACRA	AA+ / A1+	34,792,959	34,637,488
MCB Bank Limited	PACRA	AAA / A1+	10,031,783	-

#### Term Finance Certificates by rating category

AAA	PACRA	0.00%	0.00%
AA	PACRA	0.00%	0.00%
AA-	PACRA	100.00%	100.00%
Unrated	-	0.00%	0.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2015 is the carrying amount of the financial assets.

#### Concentration of credit risk

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

### 17.3 Liquidity risk

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

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

[illegible]

#### 17.4 Financial instruments by category

## Financial assets

## Financial liabilities

Payable to Pension  
Fund Manager  
Payable to Habib  
Metropolitan Bank  
Limited - Trustee  
Payable against purchase  
of equity securities  
Accrued expenses and  
other liabilities

### 17.4 Financial instruments by category

## Financial assets

## Financial liabilities

Payable to Pension  
Fund Manager  
Payable to Habib  
Metropolitan Bank  
Limited - Trustee  
Payable against  
purchase of  
equity securities  
Accrued expenses  
and other liabilities

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## 17.5 Fair value of financial assets and liabilities

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

### 17.5.1 Fair value hierarchy

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

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

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

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

As at June 30, 2015

	PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Total	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
----- (Rupees) -----						
<b>Assets</b>						
Investment in securities -						
'at fair value through profit						
or loss' - held-for-trading	337,415,397	79,262,747	-	-	-	138,977,802
'Available-for-sale'	505,988,681	298,275,936	-	-	-	-
	843,404,078	377,538,683	-	-	-	138,977,802

As at June 30, 2014

	PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Total	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
----- (Rupees) -----						
<b>Assets</b>						
Investment in securities -						
'at fair value through profit						
or loss' - held-for-trading	424,673,082	200,576,352	-	-	-	131,362,721
'Available-for-sale'	133,778,153	11,695,739	-	-	-	-
	558,451,235	212,272,091	-	-	-	131,362,721



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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### 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, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the Participants invest in the Funds with a long-term objective, possibility of a significant redemption pressure is limited, such liquidity being augmented (by short-term borrowings or disposal of investments where necessary). During the year, no such borrowing was exercised.

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

### 19. SEGMENT INFORMATION

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

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

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

### 20. GENERAL

Figures have been rounded off to the nearest Rupee.

### 21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on August 07, 2015.

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



Chief Executive Officer



Director

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Disclaimer : All investments in pension fund are subject to market risks. Past performance is not necessarily indicative of the future results.  
Please read the Offering Document to understand the investment policies and the risks involved.



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## **MCB-Arif Habib Savings and Investments Limited**

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

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

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

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

**URL:** [www.mcbah.com](http://www.mcbah.com), **Email:** [info@mcbah.com](mailto:info@mcbah.com)