

PAKISTAN PENSION FUND



HALF YEARLY REPORT DECEMBER 31, 2010 (Unaudited)

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FUNDS' INFORMATION

Pension Fund Manager

Arif Habib Investments Limited
Arif Habib Centre, 23 M. T. Khan Road,
Karachi-74000.

Board of Directors of the Pension Fund Manager

Mr. Muhammad Shafi Malik
Mr. Nasim Beg
Syed Ajaz Ahmed
Mr. Sirajuddin Cassim
Mr. Muhammad Akmal Jameel
Mr. Muhammad Kashif
Mr. S. Gulrez Yazdani
Mr. Samad A.Habib

Chairman
Chief Executive
Director
Director
Director
Director
Director
Director (Subject to the approval of SECP)

Company Secretary & CFO of the Pension Fund Manager

Mr. Z eeshan

Audit Committee

Mr. Muhammad Shafi Malik
Syed Ajaz Ahmed
Mr. Muhammad Akmal Jameel
Mr. Samad A.Habib

Chairman
Member
Member
Member (Subject to the approval of SECP)

Trustee

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

Bankers

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

Auditors

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

Legal Adviser

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

Registrar

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



REPORT OF THE DIRECTORS OF THE FUND MANAGER FOR THE QUARTER ENDED DECEMBER 31, 2010

The Board of Directors of Arif Habib Investments Limited, the Fund Manager of Pakistan Pension Fund (PPF), is pleased to present its report together with Condensed Interim Financial Statements for the quarter ended December 31, 2010.

Fund Objective

The objective of the Fund is to provide a flexible retirement savings plan for individuals with customised investment choices.

Fund Profile

The Pakistan Pension Fund (PPF), under the Voluntary Pension System (VPS) was launched on June 27, 2007. The PPF made its first investment on July 26, 2007 after the necessary legal documentation and operational approvals were received.

PPF is a flexible savings cum investment plan under VPS which facilitates all individuals who are Pakistani nationals, to save for their retirement in a systematic way, topping up their savings with investment returns at their desired investment exposure and granting them special tax benefits, with numerous valuable options before, at and after retirement. The scheme can be used as a replacement for any existing Provident, Pension or Gratuity funds, or can be entered into alongside these funds. Systematic transition of the existing Provident/Gratuity/Pension schemes to the VPS is also possible in a manner that allows maximum tax credit to the concerned.

VPS carries clear advantages over existing saving funds. Most obvious ones are tax savings, individualized asset allocation, minimal administration and avoiding complications associated with Defined Benefit Schemes.

The investor has a choice of various allocation schemes that PPF offers, each of which is invested in different proportions in the three sub-funds: Equity, Debt and Money Market.

PPF is a long only scheme and is not allowed to undertake leveraged investments.

Fund Performance during quarter ended December 31, 2010

Equity sub-fund

The net assets of the sub-fund as at December 31, 2010 stood at Rs 56.94 million as compared to Rs 47.18 million at the beginning of the quarter, registering a positive change of 20.69%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 102.40 as compared to Rs 86.10 at the beginning of the quarter, registering an increase of Rs 16.30 per unit.

Debt sub-fund

The net Assets of the sub-fund as at December 31, 2010 stood at Rs 76.52 million as compared to Rs 73.80 million at the beginning of the quarter, registering a positive change of 3.69%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 126.45 as compared to Rs 124.47 at the beginning of the year, registering an increase of Rs 1.98 per unit.

Money Market sub-fund

The net Assets of the sub-fund as at December 31, 2010 stood at Rs 64.50 million as compared to Rs 62.29 million at the beginning of the quarter, registering a positive change of 3.55%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 133.50 as compared to Rs 130.35 at the beginning of the quarter, registering an increase of Rs 3.15 per unit.

Explanation With Regards To Emphasis of Matter Paragraph included in the Auditor's Review Report

The explanation with regard to emphasis of matter paragraph is provided in note 9 to the condensed interim financial statements.

Future Outlook and Fund Performance

Future outlook and fund performance is fully explained in fund manager report attached to this report.

Acknowledgement

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

For and on behalf of the Board

Karachi
February 19, 2011

Nasim Beg
Chief Executive



REPORT OF THE FUND MANAGER FOR THE HALF YEAR ENDED DECEMBER 31, 2010

Fund Objective

The objective of the Fund is to provide a flexible retirement savings plan for individuals with customized investment choices.

Fund Profile

The Pakistan Pension Fund (PPF), under the Voluntary Pension System (VPS) was launched on June 27, 2007. The PPF made its first investment on July 26, 2007 after the necessary legal documentation and operational approvals were received.

PPF is a flexible savings cum investment plan under VPS which facilitates all individuals who are Pakistani nationals, to save for their retirement in a systematic way, topping up their savings with investment returns at their desired investment exposure and granting them special tax benefits, with numerous valuable options, before, at and after retirement. The scheme can be used as a replacement for any existing Provident, Pension or Gratuity funds, or can be entered into alongside these funds. Systematic transition of the existing Provident/Gratuity/Pension schemes to the VPS is also possible in a manner that allows maximum tax credit to the concerned.

VPS carries clear advantages over existing saving funds. Most obvious ones are tax savings, individualized asset allocation, minimal administration and avoiding complications associated with Defined Benefit Schemes.

The investor has a choice of various allocation schemes that PPF offers, each of which is invested in different proportions in the three sub-funds: Equity, Debt & Money Market.

PPF is a long only scheme and is not allowed to undertake leveraged investments.

Equity Sub Fund

Equity Sub Fund NAV rose 18.93% during the quarter versus KSE 100 index's increase of 20.0%. Among major holdings INIL, NML, ABL, HMB, PKGS, POL, PPL & ICI outperformed while ENGRO, HUBC, SEARL, PAEL & BAH underperformed the market.

Equity exposure of the fund has been increased to 94.41% from 88.93% since the beginning of the quarter. Sub fund's exposure in banks, textile, fixed line communication, electricity, general industries and forestry & paper remained unchanged. During the quarter, exposure in PAEL was enhanced to 4.51% of net assets from 2.73%. PSO was added in the portfolio upto 2.33% of net assets after the reduction in turnover tax to 0.5% from 1.0%. International industries exposure increased to 5.31% of net assets from 3.16% since the stock was trading at deep discount to its fair value. In chemical sector, Lotte Pakistan and Engro Chemicals were added up to 2.03% and 4.46% of net assets.

Net assets of the fund were Rs 57 million at end December. By the end of the quarter fund's major exposure was in Chemicals (19.2%), Banks (18.2%) and Oil & Gas (11.7%).

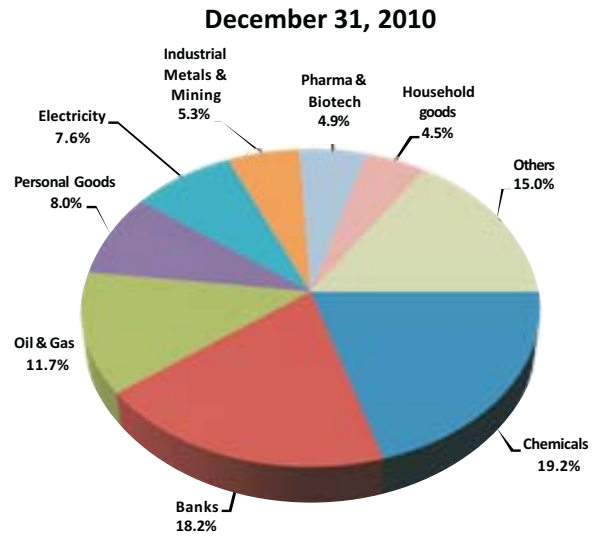
Debt Sub Fund

Fund delivered annualized return of 6.31% during the quarter. Lower return was attributed to a reduction in valuation of its TFC & PIB portfolio. PIBs & TFCs constitute 48.6% and 14% of net assets, respectively. Apart from these, 32.1% of the fund was in T-Bill. Net assets of Debt sub fund have reached Rs 76.52 million as on December 31, 2010.

Money Market Sub Fund

The Sub Fund annualized return was 9.6% during the quarter. The sub Fund's remained invested in short tenure T-bills at 98.7% of net assets. Money market sub Fund's net asset was Rs 64.50 million.

| <i>Top 10 holdings as on December 31, 2010</i> | |
|--|------|
| International Industries | 5.3% |
| Allied Bank | 5.1% |
| Nishat Mills | 5.1% |
| Pakistan Petroleum | 4.9% |
| Searle Pakistan | 4.9% |
| Habib Metropolitan Bank | 4.9% |
| Pak Elektron | 4.5% |
| Pakistan Oilfields | 4.5% |
| ICI Pakistan | 4.4% |
| Bank A-Habib | 4.4% |



Equity Market Review

The KSE-100 index gained 20% in the second quarter of this fiscal year, with overall 23% gain in the first half ended December 2010. From its August 2010 lows of 9500, when it fell by 10% amid devastating monsoon floods in the country, the market has shown consistent rising trend with gains of 26% by December end. The rally in domestic equity market has coincided with strong gains in global equities and most importantly emerging market equities. The equities have defied the negative developments on the macroeconomic front with focus turning towards relatively attractive domestic equity valuations. Given the 50% average lower earnings multiples and higher dividend yields, foreigners have been aggressively bidding up the prices, by making net investments of USD 144 million in the second quarter compared to USD 106 million in the preceding quarter. Oil and gas sectors have been at the forefront of strong market performance, with all leading stocks in the exploration, refinery and oil marketing sub sectors showing strong gains. Market heavy weight OGDC, which accounts for 25% of the KSE100 index has risen by 18.30% during the quarter. Fertilizer stocks recorded strong gains amid expectations of improvement in manufacturers' margins and higher profits as fertilizer demand picked up following heavy floods in August. Large banks, after lagging behind the market during the past one year, have rebounded due to expected positive earnings announcement for the accounting year ended December 2010. During the quarter, average daily turnover increased to 124 million compared to that of 62 million in the first quarter of FY11. Volumes have been gradually on the rise, with activity in the month of December picking up amid expectations of introduction of new margin trading system in the near future.

Economic review

1HFY11 continued to bring some key challenges for the restoration of a stable economy; continued rising government expenditure amid falling tax/GDP ratio and high inflation in a soaring interest rate scenario. SBP has responded by using a tight monetary policy, thus raising the discount rate by 150 bps to 14% in the last three consecutive Monetary Policy Statements (MPS).

Fiscal Side

Fiscal account figures released by the Finance Ministry for July - September 2010 posted a deficit of 1.6% (Rs 276 billion) of GDP against a full year target of 4.7%. Given the persistent high government borrowing due to shortfall in revenue collection and higher expenditures on account of floods and electricity sector subsidies, we could see fiscal deficit for FY11 crossing 6.5% of GDP. Tax collection figures for July - November, 2010 showed a growth of 8.8% to Rs 500.07 billion over the corresponding period of last year which is way below the revised target of Rs 1604 billion for the full FY11. The delay in the implementation of RGST has reduced the prospects of meeting the revenue targets for the current fiscal year. Furthermore, government has been unable to pass on the rise in international oil prices due to political pressure, which has adversely affected the petroleum levy account of the government. According to some official sources, the subsidy elimination on power of 2% monthly has also been delayed for an indefinite period of time which will result in further slippage of an already fragile fiscal account.

Monetary Sector

Money supply (M2) for 1HFY11 has grown compared to the same period last year, but this expansion is majorly due to high government borrowing from the SBP. M2 expanded by Rs 550 billion as compared to an increase of Rs 300 billion in 1HFY10. Net Foreign Assets (NFA) of the banking system increased by Rs 131 billion on the back of better external account position. Net Domestic Assets (NDA) also increased by Rs 419 billion from July - December 2010 against an increase of Rs 295 billion in the same period of preceding year. This growth was merely due to elevated government borrowing which contributed Rs 291 billion to NDA.

Inflation

CPI inflation, after starting off at 12.34%, climbed up to 15.46% YoY in December, 2010 due to high government borrowing and structural adjustments (subsidy elimination). The economy also witnessed serious supply side issues due to destruction of crop and infrastructure amid flood crisis. On the other hand Non-food Non-Energy (NFNE) inflation has been consistent at 9.5% which is 80 bps lower than what it was in July, 2010(10.3%). Going forward, inflation is expected to be persistent due to high government borrowing, elevated prices of agriculture commodities and higher international oil prices. With CPI inflation range of 15%-16% for FY 2011 along with higher fiscal deficit up to 6.5%, interest rates are expected to remain high and a possible further monetary tightening in the form of hike in the discount rate by 100 bps from the existing 14%.

Real Sector

Growth in large scale manufacturing sectors was negative 2.3% in the first five months of this fiscal year compared to the corresponding period of last year mainly due to devastating floods in August 2010. Cement production fell by 11.2%, followed by a negative 10.6% production in petroleum products, -10.1% in textile sector and lastly 5.0% contraction in fertilizer sector, while automobile sector enjoyed a positive growth of 12.9% along with Chemicals sector which produced 1.8% more over the same period of previous year. Overall domestic demand is likely to improve in the coming months due to two factors; first rehabilitation/reconstruction in flood affected areas and second, improvement in agriculture and rural income on account of expected higher wheat and other agriculture outputs/prices. However, prevailing inflationary pressures (15%+), higher interest rates (lending rates in excess of 16%) along with crippling electricity/gas shortages amid increasing tariffs are hurting the prospects of a significant rebound in manufacturing sector growth in the near future.

External Side

External side has seen marked improvement during the first half of this fiscal year, with current account position showing a surplus of US\$26 million (against a deficit of US\$2570 million in the same period last year) mainly on account of reduction in trade deficit and higher remittances. Exports have increased by 21% to US\$11.071 billion on the back of strong performance of textiles exports. At the same time, imports have increased by 20% to US\$19.149 billion mostly due to higher international oil prices. Estimates for total exports and remittances have been revised upward to US\$22 billion and US\$10 billion respectively for the fiscal year ending June 2011. Overall, Pakistan's foreign exchange reserves increased from US\$16.48 billion to US\$ 17.197 billion from July - January FY11. While external side is expected to be comfortable in the near term, Pakistan still requires to remain under the umbrella of IMF funding support given the weak fiscal position, declining direct foreign investments and vulnerability on account of high external debt.

IMF support and RGST implementation

IMF has stopped the disbursement of last two tranches of US\$3.4 billion as the Government of Pakistan reneged on its commitment to implement the reformed general sales tax amid strong opposition from the coalition partners of the government and opposition parties. Given the severity of fiscal situation, the government has no choice but to increase the tax revenue base and therefore, political consensus is likely to be achieved for the implementation of RGST not later than next annual budget of the government. Overall we expect that IMF will disburse the last tranches of the existing Standby arrangement (SBA) and Pakistan will negotiate for another SBA post FY 11.

Future outlook

At present local equities are trading at an average PE of 9.8x, lower than the emerging market PE that is in the range of 14.2x - 23.8x. Therefore, foreign liquidity driven rally may continue in the near future given the relatively lower valuations of Pakistani stocks in general. However, there are lingering serious macroeconomic concerns most particularly rising budget deficit, higher inflation/interest rates, electricity shortages and slow manufacturing sector growth. As a result, equity risk premium for Pakistani equities is expected to remain high compared to other emerging markets. Furthermore, interest rates are expected to increase further during the next quarter amid high inflation numbers, heavy government borrowing and fiscal imbalances.



AUDITORS' REPORT TO THE PARTICIPANTS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Pension Fund (the Fund) as at December 31, 2010, and the related condensed interim income statement, condensed interim cash flow statement, condensed interim statement of movement in participants' sub funds and condensed interim statement of investment by category, condensed interim statement of investment portfolio, condensed interim statement of other investment, condensed interim contribution table and condensed interim statement of number of units in issue together with notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2010. The Pension Fund Manager (Arif Habib Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

We draw attention to note 9 to the condensed interim financial information which refers to an uncertainty relating to the future outcome of litigation regarding contribution to the Workers Welfare Fund. The case is currently pending adjudication at the Honorable High Court of Sindh

Other Matter

The financial statements of the Fund for the year ended June 30, 2010 were audited by another firm of Chartered Accountants who vide their report dated August 03, 2010 issued a qualified opinion on a basis of not making provision of Worker Welfare Fund as discussed in the conclusion paragraph above.

Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi

Dated: February 19, 2011

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2010

| | ------(Un-Audited)----- December 31, 2010----- | | | | (Audited) June 30, 2010 |
|---|---|--------------------------|---------------------------------|---------------------------|----------------------------|
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| Note | ----- Rupees ----- | | | | |
| Assets | | | | | |
| Bank balances | 3,059,475 | 2,240,941 | 790,749 | 6,091,165 | 15,665,252 |
| Investments (as per condensed interim statement of investments by category) | 53,758,075 | 72,571,430 | 63,675,287 | 190,004,792 | 160,026,478 |
| Dividend receivable | 42,948 | - | - | 42,948 | 175,000 |
| Interest receivable | 49,792 | 1,731,318 | 16,210 | 1,797,320 | 1,857,138 |
| Deposits and other receivables | 200,000 | 200,000 | 200,000 | 600,000 | 2,542,502 |
| Taxation refundable | 12 | - | 1,021 | 1,033 | 4,481 |
| Total assets | 57,110,302 | 76,743,689 | 64,683,267 | 198,537,258 | 180,270,851 |
| Liabilities | | | | | |
| Payable to Pension Fund Manager | 70,045 | 96,018 | 81,482 | 247,545 | 206,058 |
| Payable to the Trustee | 9,113 | 12,492 | 10,601 | 32,206 | 26,923 |
| Annual fee Payable to Auditors | 47,620 | 60,768 | 48,344 | 156,732 | 229,999 |
| Annual fee payable to the Securities and Commission of Pakistan | 9,311 | 12,042 | 9,607 | 30,960 | 49,883 |
| Accrued and other liabilities | 33,077 | 42,005 | 32,767 | 107,849 | 3,949,324 |
| Taxation payable | - | 733 | - | 733 | - |
| Total Liabilities | 169,166 | 224,058 | 182,801 | 576,025 | 4,462,187 |
| NET ASSETS | <u>56,941,136</u> | <u>76,519,631</u> | <u>64,500,466</u> | <u>197,961,233</u> | <u>175,808,664</u> |
| CONTINGENCY | 9 | | | | |
| Participants Sub-Funds (as per condensed interim statement of movement in participants' sub-funds) | <u>56,941,136</u> | <u>76,519,631</u> | <u>64,500,466</u> | | |
| Number of units in issue | <u>556,082</u> | <u>605,116</u> | <u>483,146</u> | | |
| Net Asset Value per unit | <u>102.40</u> | <u>126.45</u> | <u>133.50</u> | | |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

Page 1 of 2

| | | -----Half year ended December 31, 2010----- | | | | Half year ended December 31, 2009 |
|--|---------------------------|---|---------------------------------|-------------------|-------------------|--|
| Note | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | | |
| ----- Rupees ----- | | | | | | |
| Income | | | | | | |
| | 3,721,678 | (201,758) | (825) | 3,519,095 | 1,905,993 | |
| | 1,408,747 | - | - | 1,408,747 | 1,553,899 | |
| | 261,817 | 96,247 | 37,143 | 395,207 | 537,287 | |
| | (593,272) | - | - | (593,272) | (473,929) | |
| 8.1 | - | 2,908,714 | 3,305,407 | 6,214,121 | 4,498,076 | |
| | - | 1,416,945 | - | 1,416,945 | - | |
| | 3,093,326 | 1,397,446 | 3,268,430 | 7,759,202 | (519,733) | |
| | 7,892,296 | 5,617,594 | 6,610,155 | 20,120,045 | 7,501,593 | |
| Operating expenses | | | | | | |
| | 419,007 | 541,934 | 432,331 | 1,393,272 | 1,059,186 | |
| | 54,594 | 70,605 | 56,322 | 181,521 | 139,205 | |
| | 9,311 | 12,043 | 9,607 | 30,961 | 23,537 | |
| | 45,608 | 58,809 | 46,816 | 151,233 | 154,356 | |
| | 54,890 | 6,338 | 3,000 | 64,228 | 26,685 | |
| | 12,098 | 15,600 | 12,419 | 40,117 | 35,288 | |
| | 122 | 10,386 | 2,008 | 12,516 | 4,087 | |
| | - | - | - | - | 75,618 | |
| | 595,630 | 715,715 | 562,503 | 1,873,848 | 1,517,962 | |
| | 7,296,666 | 4,901,879 | 6,047,652 | 18,246,197 | 5,983,631 | |
| | 2,619 | 44,219 | 33,426 | 80,264 | 25,175 | |
| | 7,294,047 | 4,857,660 | 6,014,226 | 18,165,933 | 5,958,456 | |
| Other comprehensive income for the period | | | | | | |
| | 6,868,536 | (696,142) | (4,276) | 6,168,118 | 8,801,120 | |
| | 78,934 | (142,584) | (1,265) | (64,915) | 200,275 | |
| | 6,947,470 | (838,726) | (5,541) | 6,103,203 | 9,001,395 | |
| | 14,241,517 | 4,018,934 | 6,008,685 | 24,269,136 | 14,959,851 | |
| | 11.70 | 8.39 | 13.80 | | | |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director
PAKISTAN PENSION FUND
Managed by: ARIF HABIB INVESTMENTS LIMITED

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

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-----Quarter ended December 31, 2010-----

| Note | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | Quarter ended December 31, 2009 |
|---|---------------------------|-------------------------|---------------------------------|-------------------|--|
| -----Rupees----- | | | | | |
| Income | | | | | |
| Capital gain/ (loss) on sale of investments - net | 904,831 | (201,758) | (825) | 702,248 | 1,391,649 |
| Dividend income | 943,347 | - | - | 943,347 | 681,763 |
| Profit on bank accounts | 127,422 | 46,790 | (6,745) | 167,467 | 167,334 |
| Impairment loss on investments classified as 'available-for-sale' | 138,230 | - | - | 138,230 | (379,930) |
| Income from investment in government securities | - | 1,619,126 | 1,853,047 | 3,472,173 | 2,398,589 |
| Income from term finance certificates and sukuk bonds | - | 703,603 | - | 703,603 | - |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | (108,723) | 351,068 | 172,925 | 415,270 | (204,604) |
| Total Income | 2,005,107 | 2,518,829 | 2,018,402 | 6,542,338 | 4,054,801 |
| Operating expenses | | | | | |
| Remuneration to Pension Fund Manager | 195,391 | 281,424 | 239,140 | 715,955 | 549,196 |
| Remuneration to the Trustee | 25,437 | 36,638 | 31,133 | 93,208 | 72,085 |
| Annual fee - Securities and Exchange Commission of Pakistan | 4,342 | 6,254 | 5,314 | 15,910 | 12,205 |
| Auditors' Remuneration | 20,623 | 29,730 | 25,263 | 75,616 | 75,616 |
| Custody and settlement charges | 17,121 | 4,099 | 1,500 | 22,720 | 14,510 |
| Legal and professional charges | 5,470 | 7,886 | 6,702 | 20,058 | 17,645 |
| Bank charges | 125 | 6,943 | 2,011 | 9,079 | 2,839 |
| Amortisation of formation cost | - | - | - | - | 37,809 |
| Total operating expenses | 268,509 | 372,974 | 311,063 | 952,546 | 781,905 |
| Net income before taxation | 1,736,598 | 2,145,855 | 1,707,339 | 5,589,792 | 3,272,896 |
| Taxation | 1,274 | 24,061 | 18,411 | 43,746 | 12,830 |
| Net income after taxation | 1,735,324 | 2,121,794 | 1,688,928 | 5,546,046 | 3,260,066 |
| Other comprehensive income / (loss) for the period | | | | | |
| Net unrealized (loss) / gain during the period in the market value of investments classified as 'available-for-sale' | 7,145,656 | (579,817) | (4,548) | 6,561,291 | (987,994) |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution) - net | 65,911 | (42,422) | (143) | 23,346 | 152,483 |
| | 7,211,567 | (622,239) | (4,691) | 6,584,637 | (835,511) |
| Total comprehensive income for the period | 8,946,891 | 1,499,555 | 1,684,237 | 12,130,683 | 2,424,555 |
| Earnings per unit | 3.14 | 3.56 | 3.52 | | |

The annexed notes form an integral part of these condensed interim financial information.

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

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

Page 1 of 2

-----Half year ended December 31, 2010-----

| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | Half year ended December 31, 2009 |
|---|---------------------------|-------------------------|---------------------------------|--------------|---|
| | -----Rupees----- | | | | |
| Cash Flows From Operating Activities | | | | | |
| Net income before taxation | 7,296,666 | 4,901,879 | 6,047,652 | 18,246,197 | 5,983,631 |
| Adjustments for: | | | | | |
| Amortisation of formation cost | - | - | - | - | 75,618 |
| Impairment loss on investments classified as 'available-for-sale' | 593,272 | - | - | 593,272 | 473,929 |
| Elements of loss / (income) and capital gains / (losses) in prices of units issued less those in units redeemed - net | (3,093,326) | (1,397,446) | (3,268,430) | (7,759,202) | 519,733 |
| | (2,500,054) | (1,397,446) | (3,268,430) | (7,165,930) | 1,069,280 |
| Decrease / (Increase) in assets | | | | | |
| Investments | 8,979,646 | (14,827,047) | (18,556,067) | (24,403,468) | (19,650,850) |
| Dividend receivable | 132,052 | - | - | 132,052 | (23,753) |
| Interest receivable | (16,631) | 68,420 | 8,029 | 59,818 | (395,473) |
| Deposits and other receivables | 1,942,502 | - | - | 1,942,502 | (300,000) |
| | 11,037,569 | (14,758,627) | (18,548,038) | (22,269,096) | (20,370,076) |
| (Decrease) / increase in liabilities | | | | | |
| Remuneration payable to Pension Fund Manager | (4,178) | 20,609 | 25,056 | 41,487 | (99,250) |
| Payable to the Trustee | (585) | 2,639 | 3,229 | 5,283 | 4,976 |
| Annual fee - Securities and Exchange Commission of Pakistan | (9,224) | (5,647) | (4,052) | (18,923) | (10,693) |
| Payable to auditors | (36,525) | (21,184) | (15,558) | (73,267) | (59,645) |
| Accrued and other liabilities | (3,871,490) | 17,597 | 12,418 | (3,841,475) | (1,457,012) |
| | (3,922,002) | 14,014 | 21,093 | (3,886,895) | (1,621,624) |
| Taxation paid | (1,742) | (43,486) | (30,855) | (76,083) | (12,344) |
| Cash generated from / (used in) operating activities | 11,910,437 | (11,283,666) | (15,778,578) | (15,151,807) | (14,951,133) |
| Cash Flows From Financing Activities | | | | | |
| Receipt of contribution | 4,376,200 | 13,485,907 | 15,105,916 | 32,968,023 | 5,510,840 |
| Payment against withdrawal | (19,512,898) | (7,011,394) | (866,011) | (27,390,303) | (468,147) |
| Cash (used in) / generated from financing activities | (15,136,698) | 6,474,513 | 14,239,905 | 5,577,720 | 5,042,693 |
| Net decrease in cash and cash equivalents | (3,226,261) | (4,809,153) | (1,538,673) | (9,574,087) | (9,908,440) |
| Cash and cash equivalents at beginning of the period | 6,285,736 | 7,050,094 | 2,329,422 | 15,665,252 | 17,665,549 |
| Cash and cash equivalents at end of the period | 3,059,475 | 2,240,941 | 790,749 | 6,091,165 | 7,757,109 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

PAKISTAN PENSION FUND
Managed by: ARIF HABIB INVESTMENTS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

Page 2 of 2

| | -----Quarter ended December 31, 2010----- | | | | Quarter ended December 31, 2009 |
|---|---|-------------------------|---------------------------------|--------------------------|--|
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| ----- Rupees ----- | | | | | |
| Cash Flows From Operating Activities | | | | | |
| Net income before taxation | 1,736,598 | 2,145,855 | 1,707,339 | 5,589,792 | 3,272,896 |
| Adjustments for: | | | | | |
| Amortisation of formation cost | - | - | - | - | 37,809 |
| Impairment loss on investments classified as 'available-for-sale' | (138,230) | - | - | (138,230) | 379,930 |
| Elements of loss / (income) and capital gains / (losses) in prices of units issued less those in units redeemed - net | 108,723 (29,507) | (351,068) (351,068) | (172,925) (172,925) | (415,270) (553,500) | 204,604 622,343 |
| (Increase) / decrease in assets | | | | | |
| Investments | (4,771,725) | (3,095,802) | (2,232,219) | (10,099,746) | (3,223,900) |
| Dividend receivable | 213,332 | - | - | 213,332 | 410,754 |
| Interest receivable | 9,028 | (802,410) | 41,951 | (751,431) | (1,154,145) |
| Deposits and other receivables | 1,407,841 (3,141,524) | 416,702 (3,481,510) | 292,304 (1,897,964) | 2,116,847 (8,520,998) | - (3,967,291) |
| Increase / (decrease) in liabilities | | | | | |
| Remuneration payable to Pension Fund Manager | 6,564 | 7,689 | 10,368 | 24,621 | 48,542 |
| Payable to Trustee | 837 | 978 | 1,331 | 3,146 | 1,735 |
| Annual fee - Securities and Exchange Commission of Pakistan | 4,342 | 6,253 | 5,314 | 15,909 | 12,204 |
| Payable to Auditors | 20,623 | 29,729 | 25,263 | 75,615 | 75,616 |
| Front end load payable | (374) | (900) | (226) | (1,500) | - |
| Accrued and other liabilities | 3,638 35,630 | 9,559 53,308 | 6,356 48,406 | 19,553 137,344 | 16,941 155,038 |
| Taxation paid | (415) | (23,399) | (16,024) | (39,838) | (12,344) |
| Cash (used in) / generated from operating activities | (1,399,218) | (1,656,814) | (331,168) | (3,387,200) | 70,642 |
| Cash Flows From Financing Activities | | | | | |
| Receipt of contribution | 2,092,502 | 2,579,124 | 1,166,397 | 5,838,023 | 3,357,989 |
| Payment against withdrawal | (1,318,824) | (1,050,586) | (465,188) | (2,834,598) | (408,250) |
| Cash generated from financing activities | 773,678 | 1,528,538 | 701,209 | 3,003,425 | 2,949,739 |
| Net (decrease) / increase in cash and cash equivalents | (625,540) | (128,276) | 370,041 | (383,775) | 3,020,381 |
| Cash and cash equivalents at beginning of the period | 3,685,015 | 2,369,217 | 420,708 | 6,474,940 | 4,736,728 |
| Cash and cash equivalents at end of the period | 3,059,475 | 2,240,941 | 790,749 | 6,091,165 | 7,757,109 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT
IN PARTICIPANTS' SUB-FUNDS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

Page 1 of 2

| | -----Half year ended December 31, 2010----- | | | | Half year ended December 31, 2009 |
|---|---|-------------------------|---------------------------------|--------------------|--|
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| | ----- Rupees ----- | | | | |
| Net assets at the beginning of the period | 61,008,577 | 67,281,046 | 47,519,041 | 175,808,664 | 127,578,859 |
| Amount received on issue of units | 4,376,200 | 13,485,907 | 15,105,916 | 32,968,023 | 5,510,840 |
| Amount paid on redemption of units | (19,512,898) | (7,011,394) | (866,011) | (27,390,303) | (468,147) |
| | (15,136,698) | 6,474,513 | 14,239,905 | 5,577,720 | 5,042,693 |
| Element of (income) / loss and (capital gains) / losses included in prices of units issued less those in units redeemed - net | | | | | |
| - amount representing (income) / loss and realised (capital gains) / losses - net | (3,093,326) | (1,397,446) | (3,268,430) | (7,759,202) | 519,733 |
| - amount representing unrealised (appreciation) / diminution in fair value of investments - net | (78,934) | 142,584 | 1,265 | 64,915 | (200,275) |
| | (3,172,260) | (1,254,862) | (3,267,165) | (7,694,287) | 319,458 |
| Total Comprehensive income | 14,241,517 | 4,018,934 | 6,008,685 | 24,269,136 | 14,959,851 |
| Net assets at the end of the period | 56,941,136 | 76,519,631 | 64,500,466 | 197,961,233 | 147,900,861 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT
IN PARTICIPANTS' SUB-FUNDS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

Page 2 of 2

| | -----Quarter ended December 31, 2010----- | | | | Quarter ended December 31, 2009 |
|---|---|-------------------------|---------------------------------|--------------------|---------------------------------------|
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| | ----- Rupees ----- | | | | |
| Net assets at the beginning of the period | 47,177,755 | 73,800,184 | 62,287,802 | 183,265,741 | 142,474,446 |
| Amount received on issue of units | 2,092,502 | 2,579,124 | 1,166,397 | 5,838,023 | 3,357,989 |
| Amount paid on redemption of units | (1,318,824) | (1,050,586) | (465,188) | (2,834,598) | (408,250) |
| | 773,678 | 1,528,538 | 701,209 | 3,003,425 | 2,949,739 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | | | | | |
| - amount representing (income) / loss and realised (capital gains) / losses - net | 108,723 | (351,068) | (172,925) | (415,270) | 204,604 |
| - amount representing unrealised (appreciation) / diminution in fair value of investments - net | (65,911) | 42,422 | 143 | (23,346) | (152,483) |
| | 42,812 | (308,646) | (172,782) | (438,616) | 52,121 |
| Total Comprehensive income | 8,946,891 | 1,499,555 | 1,684,237 | 12,130,683 | 3,260,066 |
| Net assets at the end of the period | 56,941,136 | 76,519,631 | 64,500,466 | 197,961,233 | 147,900,861 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF INVESTMENTS BY CATEGORY AS AT DECEMBER 31, 2010

| (Un-Audited) | | | | (Audited) |
|---------------------------|-------------------------|---------------------------------|-------|---------------|
| December 31, 2010 | | | | June 30, 2010 |
| PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| Rupees | | | | |

'Available-for-sale' investments (as per statement of Investment Portfolio)

| | | | | | |
|---|------------|------------|------------|-------------|-------------|
| - Listed equity securities | 53,758,075 | - | - | 53,758,075 | 56,462,457 |
| - Pakistan Investment Bonds | - | 37,218,808 | - | 37,218,808 | 37,920,048 |
| - Treasury Bills | - | 24,562,822 | 63,675,287 | 88,238,109 | 47,566,661 |
| - Term Finance Certificates and Sukuk Bonds | - | 10,789,800 | - | 10,789,800 | 18,077,312 |
| | 53,758,075 | 72,571,430 | 63,675,287 | 190,004,792 | 160,026,478 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF PORTFOLIO (UN-AUDITED) AS AT DECEMBER 31, 2010

PPF EQUITY SUB-FUND LISTED SHARES 'AVAILABLE- FOR- SALE'

| Name of the Investee Company | Number of shares | | | | | Balance as at December 31, 2010 | | | Market value as a % of net assets of the sub-fund | Paid up value of shares held as a % of total paid up capital of the investee company | |
|--|---------------------|-----------------------------|--------------------------------------|-------------------------|-------------------------|---------------------------------|-------------------|----------------------------|---|--|--|
| | As at July 01, 2010 | Purchases during the period | Bonus/ Right Issue during the period | Sales during the period | As at December 31, 2010 | Cost less impairment | Market value | Appreciation/ (Diminution) | | | |
| Rupees | | | | | | | | | | | |
| Non Life Insurance | | | | | | | | | | | |
| I.G.I Insurance Limited | 9,900 | - | - | 9,900 | - | - | - | - | - | - | |
| Personal Goods | | | | | | | | | | | |
| Nishat Mills Limited | 58,166 | - | - | 12,480 | 45,686 | 1,246,668 | 2,931,671 | 1,685,003 | 5.15 | 0.0130 | |
| Nishat Chunian Limited | - | 72,000 | - | - | 72,000 | 1,335,905 | 1,635,840 | 299,935 | 2.87 | 0.0451 | |
| Tobacco | | | | | | | | | | | |
| Pakistan Tobacco Company Limited | 26,000 | - | - | 8,012 | 17,988 | 1,018,051 | 1,982,817 | 964,766 | 3.48 | 0.0070 | |
| Lakson Tobacco Company Limited | 11,553 | 1,200 | - | 12,753 | - | - | - | - | - | - | |
| Industrial Metals and Mining | | | | | | | | | | | |
| International Industries Limited | 25,433 | 20,000 | 5,086 | - | 50,519 | 2,171,348 | 3,023,562 | 852,215 | 5.31 | 0.0421 | |
| Household Goods | | | | | | | | | | | |
| Pak Elektron Limited | 128,150 | 91,188 | - | 36,256 | 183,082 | 1,708,517 | 2,570,471 | 861,955 | 4.51 | 0.1559 | |
| Electronic and Electrical Equipment | | | | | | | | | | | |
| Pakistan Cables Limited | 9,532 | - | - | - | 9,532 | 324,469 | 522,544 | 198,075 | 0.92 | 0.0444 | |
| Chemicals | | | | | | | | | | | |
| ICI Pakistan Limited | 20,500 | - | - | 3,040 | 17,460 | 2,041,844 | 2,518,430 | 476,586 | 4.42 | 0.0126 | |
| Lotte Pakistan PTA Limited | - | 126,520 | - | 42,187 | 84,333 | 720,297 | 1,155,362 | 435,065 | 2.03 | 0.0056 | |
| Fauji Fertilizers Bin Qasim Limited | 100,200 | - | - | 65,841 | 34,359 | 1,098,987 | 1,227,647 | 128,660 | 2.16 | 0.0037 | |
| Engro Chemical Pakistan Limited | 5,500 | 13,091 | - | 5,500 | 13,091 | 2,451,837 | 2,537,167 | 85,329 | 4.46 | 0.0040 | |
| Fauji Fertilizers Company Limited | 11,325 | - | - | - | 11,325 | 1,006,283 | 1,425,365 | 419,081 | 2.50 | 0.0017 | |
| Sitara Chemical Industries Limited | 18,933 | - | 750 | 3,916 | 15,767 | 2,375,107 | 2,014,234 | (360,873) | 3.54 | 0.0736 | |
| General Industrials | | | | | | | | | | | |
| Packages Limited | 24,400 | 125 | - | 5,522 | 19,003 | 2,167,566 | 2,443,976 | 276,410 | 4.29 | 0.0225 | |
| Food Producers | | | | | | | | | | | |
| Nestle Pakistan Limited | 1,730 | - | - | 1,730 | - | - | - | - | - | - | |
| Automobile and Parts | | | | | | | | | | | |
| Pak Suzuki Motors Company Limited | 21,000 | - | - | 21,000 | - | - | - | - | - | - | |
| Agriauto Industries Limited | 20,000 | - | - | 20,000 | - | - | - | - | - | - | |
| Banks | | | | | | | | | | | |
| Allied Bank Limited | 48,000 | - | - | 6,694 | 41,306 | 1,302,686 | 2,897,616 | 1,594,930 | 5.09 | 0.0053 | |
| Habib Bank Limited | 88,300 | - | - | 18,259 | 70,041 | 2,116,205 | 2,539,687 | 423,482 | 4.46 | 0.0070 | |
| Meezan Bank Limited | 130,248 | - | - | - | 130,248 | 1,991,909 | 2,201,191 | 209,282 | 3.87 | 0.0187 | |
| Habib Metropolitan Bank Limited | 122,639 | - | - | 26,296 | 96,343 | 2,330,508 | 2,792,984 | 462,475 | 4.91 | 0.0110 | |
| Electricity | | | | | | | | | | | |
| The Hub Power Company Limited | 75,085 | - | - | 13,340 | 61,745 | 2,009,758 | 2,309,880 | 300,122.92 | 4.06 | 0.0053 | |
| Kot Addu Power Company Limited | 59,000 | - | - | 9,307 | 49,693 | 2,079,942 | 2,021,511 | (58,431.03) | 3.55 | 0.0056 | |
| Oil and Gas | | | | | | | | | | | |
| Pakistan Oil Fields Limited | 12,000 | - | - | 3,406 | 8,594 | 1,391,486 | 2,543,480 | 1,151,994 | 4.47 | 0.0036 | |
| Pakistan Petroleum Limited | 10,076 | 1,833 | 1,838 | 886 | 12,861 | 1,859,657 | 2,792,766 | 933,109 | 4.90 | 0.0011 | |
| Pakistan State Oil Company Limited | - | 4,500 | - | - | 4,500 | 1,257,610 | 1,328,310 | 70,700 | 2.33 | 0.0026 | |
| Fixed Line Telecommunication | | | | | | | | | | | |
| Pakistan Telecommunication Company Limited 'A' | 100,000 | - | - | - | 100,000 | 1,547,560 | 1,942,000 | 394,440 | 3.41 | 0.0026 | |
| Forestry and Paper | | | | | | | | | | | |
| Century Papers and Bond Mills Limited | 152,815 | - | - | 54,645 | 98,170 | 1,725,067 | 1,654,165 | (70,903) | 2.91 | 0.1389 | |
| Pharma and Bio Tech | | | | | | | | | | | |
| Searle Pakistan Limited | 42,000 | 16840 | - | 13091 | 45,749 | 2,607,693 | 2,745,398 | 137,705 | 4.82 | 0.1494 | |
| Total for equity sub fund | | | | | | | | | | | |
| | | | | | | 24,387,647 | 30,212,964 | 5,825,317 | 94.41 | | |
| | | | | | | 41,886,960 | 53,758,075 | 11,871,115 | | | |
| Total | | | | | | | | | | | |
| Un-audited Audited | | | | | | | | | | | |
| December 31 June 30 | | | | | | | | | | | |
| 2010 2010 | | | | | | | | | | | |
| Rupees | | | | | | | | | | | |
| | | | | | | | | | 53,758,075 | 56,462,457 | |

The annexed notes form an integral part of these condensed interim financial information.

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

CONDENSED INTERIM STATEMENT OF OTHER INVESTMENTS (UN-AUDITED) AS AT DECEMBER 31, 2010

Page 1 of 2

'AVAILABLE-FOR-SALE' INVESTMENTS

| Name of Investment | Face value | | | | Balance as at December 31, 2010 | | | Market value as a % of net asset of the sub-fund |
|----------------------------------|--------------------|-----------------------------|-------------------------------------|-------------------------|---------------------------------|--------------------|----------------------------|--|
| | As at July 1, 2010 | Purchases during the period | Sales/ maturities during the period | As at December 31, 2010 | Book value | Market value | Appreciation/ (Diminution) | |
| -----Rupees----- | | | | | | | | |
| PPF DEBT SUB-FUND | | | | | | | | |
| Pakistan Investment bonds | 40,000,000 | - | - | 40,000,000 | 39,605,948 | 37,218,808 | (2,387,140) | 48.64 |
| Treasury bills | 2,500,000 | 48,600,000 | 26,000,000 | 25,100,000 | 24,563,792 | 24,562,822 | (970) | 32.10 |
| | 42,500,000 | 48,600,000 | 26,000,000 | 65,100,000 | 64,169,740 | 61,781,630 | (2,388,110) | 80.74 |
| PPF MONEY MARKET SUB-FUND | | | | | | | | |
| Treasury bills | 46,000,000 | 129,300,000 | 110,800,000 | 64,500,000 | 63,695,942 | 63,675,287 | (20,655) | 98.72 |
| | 46,000,000 | 129,300,000 | 110,800,000 | 64,500,000 | 63,695,942 | 63,675,287 | (20,655) | 98.72 |
| Total | | | | | 127,865,682 | 125,456,917 | (2,408,765) | |

| | |
|------------------------------------|-----------------------------|
| -----Total----- | |
| Un-audited December 31, 2010 | Audited June 30, 2010 |
| ----- Rupees----- | |
| <u>125,456,917</u> | <u>85,486,709</u> |

Market value

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF OTHER INVESTMENTS (UN-AUDITED) AS AT DECEMBER 31, 2010

Page 2 of 2

'AVAILABLE-FOR-SALE'

| Name of Investee company | Issue Date | Number of Certificates | | | | Balance as at December 31, 2010 | | | Market value as a % of net asset of the sub-fund | Market value as a % of total investments | Percentage in relation to the total size of the issue |
|--------------------------|------------|------------------------|-----------------------------|----------------------------------|-------------------------|---------------------------------|--------------|-----------------------------|--|--|---|
| | | As at July 1, 2010 | Purchases during the period | Sales/ matured during the period | As at December 31, 2010 | Cost | Market value | Appreciation / (Diminution) | | | |

-----Rupees-----

PPF DEBT SUB-FUND

Term Finance Certificates

| | | | | | | | | | | | |
|--|-----------|--------------|----------|--------------|--------------|-------------------|-------------------|----------------|--------------|--------------|------|
| Bank Alfalah TFC-IV (Floating) | 2-Dec-09 | 500 | - | - | 500 | 2,500,250 | 2,524,862 | 24,612 | 3.30 | 3.48 | 0.05 |
| Engro Fertilizer Limited- TFC PRP-1 | 18-Mar-08 | 800 | - | - | 800 | 3,462,000 | 3,540,000 | 78,000 | 4.63 | 4.88 | 0.10 |
| Bank Al-Habib Limited TFC- III | 15-Jun-09 | 800 | - | 800 | - | - | - | - | - | - | - |
| Askari Commercial Bank Limited TFC | 4-Feb-05 | 175 | - | - | 175 | 862,598 | 868,190 | 5,592 | 1.13 | 1.20 | 0.06 |
| Pakistan Mobile Communication Limited TFC-II | 1-Oct-07 | 1,000 | - | 1,000 | - | - | - | - | - | - | - |
| | | 3,275 | - | 1,800 | 1,475 | 6,824,848 | 6,933,052 | 108,204 | 9.06 | 9.55 | |
| Sukuk Bonds | | | | | | | | | | | |
| Pak Electron Limited | 28-Sep-07 | 750 | - | - | 750 | 1,608,758 | 1,862,535 | 253,777 | 2.43 | 0.98 | 0.28 |
| House Building Finance Corporation | 8-May-08 | 600 | - | - | 600 | 1,890,000 | 1,994,213 | 104,213 | 2.61 | 1.05 | 0.16 |
| | | 1,350 | - | - | 1,350 | 3,498,758 | 3,856,748 | 357,990 | 5.04 | 2.03 | |
| Total | | 4,625 | - | 1,800 | 2,825 | 10,323,606 | 10,789,800 | 466,194 | 14.10 | 11.58 | |

-----Total-----
Un-audited Audited
December June
31, 2010 30, 2010
----- Rupees-----

Market value

10,789,800 18,077,312

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM CONTRIBUTION TABLE (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

Page 1 of 2

| Contributions net of front end fee | Half year ended December 31, 2010 | | | | | | Total | Half year ended December 31, 2009 |
|------------------------------------|-----------------------------------|-------------------|-------------------|-------------------|---------------------------|-------------------|--------------------|-----------------------------------|
| | PPF Equity Sub-Fund | | PPF Debt Sub-Fund | | PPF Money Market Sub-Fund | | | |
| | Units | Rupees | Units | Rupees | Units | Rupees | Rupees | |
| Opening balance | 739,165 | 61,529,289 | 552,919 | 57,956,467 | 373,418 | 38,717,274 | 158,203,030 | 131,661,380 |
| Individuals - Issue of units | 48,981 | 4,376,200 | 108,967 | 13,485,907 | 116,371 | 15,105,916 | 32,968,023 | 5,510,840 |
| - redemption of units | (232,064) | (19,512,898) | (56,770) | (7,011,394) | (6,643) | (866,011) | (27,390,303) | (468,147) |
| | (183,083) | (15,136,698) | 52,197 | 6,474,513 | 109,728 | 14,239,905 | 5,577,720 | 5,042,693 |
| Closing balance | 556,082 | 46,392,591 | 605,116 | 64,430,980 | 483,146 | 52,957,179 | 163,780,750 | 136,704,073 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM CONTRIBUTION TABLE (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

Page 2 of 2

| Contributions net of front end fee | Quarter ended December 31, 2010 | | | | | | Total Rupees | Quarter ended December 31, 2009 Rupees |
|------------------------------------|---------------------------------|-------------------|-------------------|-------------------|------------------------------|-------------------|--------------------|---|
| | PPF Equity Sub-Fund | | PPF Debt Sub-Fund | | PPF Money Market Sub-Fund | | | |
| | Units | Rupees | Units | Rupees | Units | Rupees | | |
| Opening balance | 547,917 | 45,618,913 | 592,917 | 62,902,442 | 477,861 | 52,255,970 | 160,777,325 | 133,754,334 |
| Individuals - Issue of units | 22,034 | 2,092,502 | 20,626 | 2,579,124 | 8,813 | 1,166,397 | 5,838,023 | 3,357,989 |
| - redemption of units | (13,869) | (1,318,824) | (8,427) | (1,050,586) | (3,528) | (465,188) | (2,834,598) | (408,250) |
| | 8,165 | 773,678 | 12,199 | 1,528,538 | 5,285 | 701,209 | 3,003,425 | 2,949,739 |
| Closing balance | 556,082 | 46,392,591 | 605,116 | 64,430,980 | 483,146 | 52,957,179 | 163,780,750 | 136,704,073 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF NUMBER OF UNITS IN ISSUE (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

Page 1 of 2

| | Half Year ended December 31, 2010 | | |
|--|--|----------------------------------|--|
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund |
| | -----Number of units----- | | |
| Units outstanding at the beginning of the period | 739,165 | 552,919 | 373,418 |
| Add: Units issued during the period | 48,981 | 108,967 | 116,371 |
| Less: Units redeemed during the period | (232,064) | (56,770) | (6,643) |
| Units in issue at the end of the period | <u>556,082</u> | <u>605,116</u> | <u>483,146</u> |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF NUMBER OF UNITS IN ISSUE (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

Page 2 of 2

| | Quarter ended December 31, 2010 | | |
|--|---------------------------------|-------------------------|---------------------------------|
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund |
| | -----Number of units----- | | |
| Units outstanding at the beginning of the period | 547,917 | 592,917 | 477,861 |
| Add: Units issued during the period | 22,034 | 20,626 | 8,813 |
| Less: Units redeemed during the period | (13,869) | (8,427) | (3,528) |
| Units in issue at the end of the period | <u><u>556,082</u></u> | <u><u>605,116</u></u> | <u><u>483,146</u></u> |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan Pension Fund (PPF) was established under a Trust Deed executed between Arif Habib Investments Limited - AHI as Pension Fund Manager and MCB Financial Services Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 24, 2007 and was executed on June 4, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). 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.

The Pension Fund Manager of the Fund has been licensed to act as a Pension Fund Manager under VPS Rules through a certificate of registration issued by SECP. The registered office of the Pension Fund Manager is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan.

Title of the assets of the Fund is held in the name of Trustee.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Trust Deed, the VPS Rules and the directives issued by SECP.

Wherever, the requirements of the Trust Deed, the VPS Rules or the said directives differ with the requirements of IFRS, the requirements of the Trust Deed, the VPS Rules or the said directives take precedence. The disclosures made in this condensed interim financial report have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting' and Guidelines issued by the SECP for the preparation of the quarterly reports of a pension fund.

2.2 This condensed interim financial report comprise of the condensed interim statement of assets and liabilities as at December 31, 2010 and the condensed interim income statement, condensed interim cash flow statement, condensed interim statement of movement in participants' sub funds, condensed interim statement of investment by category, condensed interim statement of investment portfolio, condensed interim statement of other investment, condensed interim contribution table, condensed interim number of units in issue and notes thereto for the half year ended December 31, 2010, which have been subject to a review but not audited.

2.3 These condensed interim financial information are unaudited and should be read in conjunction with the financial statement of the Fund for the year ended June 30, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial information are the same as those applied in preparing the financial statements of the Fund for the year ended June 30, 2010.

4. RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Fund for the year ended June 30, 2010.

5. STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE CONDENSED INTERIM FINANCIAL INFORMATION

In the current period, the fund has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are effective for Fund's accounting period beginning on July 01, 2010.

*Effective for accounting
period beginning on or after*

| | |
|---|------------------|
| - IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations | January 01, 2010 |
| - IFRS 2 - Share based Payment | January 01, 2010 |
| - IAS 7 - Statement of Cash Flows | January 01, 2010 |
| - IAS 24 - Related Party Disclosures | January 01, 2010 |

Adoption of above mentioned new standards will have no material impact on the Fund's financial information.

New accounting standards and IFRS interpretations that are not yet effective

| | |
|----------------------------------|------------------|
| - IFRS 9 - Financial Instruments | January 01, 2013 |
|----------------------------------|------------------|

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value. The adoption of this standard would affect the recognition and classification of existing financial assets.

The directors of Pension Fund Manager anticipate that these amendments will be adopted in the fund's financial statements on the effective date. The directors have not yet had an opportunity to consider the potential impact of the adoption of this Standard.

6. DEPOSITS AND OTHER RECEIVABLES

| ----- (Un-audited) ----- | | | | (Audited) |
|--|-------------------------|---------------------------------|---------|------------------------|
| As at December 31, 2010 | | | | As at June 30, 2010 |
| PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| ----- Rupees ----- | | | | |
| Security deposit - CDC | 200,000 | 200,000 | 200,000 | 600,000 |
| Receivable against sale of investments | - | - | - | 1,942,502 |
| | 200,000 | 200,000 | 200,000 | 2,542,502 |

7. ACCRUED AND OTHER LIABILITIES

| ----- (Un-audited) ----- | | | | (Audited) |
|---|-------------------------|---------------------------------|--------|------------------------|
| As at December 31, 2010 | | | | As at June 30, 2010 |
| PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| Payable against purchase of investments | - | - | - | 3,872,056 |
| Professional charges | 32,513 | 40,007 | 32,767 | 65,172 |
| Federal excise duty | - | - | - | 1,664 |
| Others | 564 | 1,998 | - | 10,432 |
| | 33,077 | 42,005 | 32,767 | 3,949,324 |

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

| | ----- (Un-audited) ----- | | | | (Audited) |
|---|---------------------------|-------------------------|---------------------------------|---------------|------------------------|
| | As at December 31, 2010 | | | | As at June 30, 2010 |
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| Market value of investments | 53,758,075 | 72,571,430 | 63,675,287 | 190,004,792 | 160,026,478 |
| Less: Cost less impairment | (41,886,960) | (74,493,346) | (63,695,942) | (180,076,248) | (157,625,130) |
| | 11,871,115 | (1,921,916) | (20,655) | 9,928,544 | 2,401,348 |
| Impairment loss on investments classified as 'available-for-sale' | 593,272 | - | - | 593,272 | 2,148,395 |
| Reclassification of impairment on sale of impaired securities | (4,658,334) | - | - | (4,658,334) | (4,854,379) |
| | (4,065,062) | - | - | (4,065,062) | (2,705,984) |
| | 7,806,053 | (1,921,916) | (20,655) | 5,863,482 | (304,636) |
| Net unrealised (appreciation) /diminution in fair value of investments at the beginning of the period | 937,517 | (1,225,774) | (16,379) | (304,636) | 2,086,927 |
| | 6,868,536 | (696,142) | (4,276) | 6,168,118 | 1,782,291 |

- 8.1** As at December 31, 2010, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as available for sale and has determined that an impairment loss amounting to Rs 593,272 for the half year ended December 31, 2010 be charged to the condensed interim income statement.

9. CONTINGENCY

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower (the Ministry) issued a letter which states that mutual funds are not liable for WWF. Further, in a subsequent letter dated July 15 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being sold, is exempted under the law ibid."

There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds for the recovery of WWF. On December 14, 2010, the Ministry filed its response contesting the said petition. The legal proceedings in respect of the aforementioned petition are currently in progress.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence no provision of Re 0.58, Re 0.41 and Re 0.45 per unit for the equity, debt and money market sub-fund respectively has been made in respect of WWF.

10. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Pension Fund Manager and Arif Habib Corporation (formerly: Arif Habib Securities Limited) being the holding company of AHI, Arif Habib Limited, Thatta Cement Limited being companies under common control. Summit Bank Limited (formerly :Arif Habib Bank Limited) and Pak Arab Fertilizer being companies under common directorship and MCB Financial Services Limited being the Trustee, other collective investment schemes managed by the Pension Fund Manger 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.

10.1 Transactions during the period

| | ------(Un Audited)----- | | | | Half year ended December 31, 2009 |
|---|-----------------------------------|-------------------------|---------------------------------|------------|--|
| | Half year ended December 31, 2010 | | | | |
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| | ----- Rupees ----- | | | | |
| Pension Fund Manager | | | | | |
| Remuneration | 419,007 | 541,934 | 432,331 | 1,393,272 | 1,059,186 |
| Sales load | 7,877 | 5,899 | 675 | 14,451 | 8,281 |
| Summit Bank Limited (formerly: Arif Habib Bank Ltd) | | | | | |
| Mark-up received during the period | 244,737 | 51,595 | 18,524 | 314,856 | 510,317 |
| MCB Financial Services Limited -Trustee | | | | | |
| Trustee fee | 54,594 | 70,605 | 56,322 | 181,521 | 139,205 |
| Issue of 37,781 units (2009: 52,286 units) | 3,389,914 | - | - | 3,389,914 | 3,941,286 |
| Issue of 99,668 units (2009: 28,722 units) | - | 12,327,322 | - | 12,327,322 | 3,227,946 |
| Issue of 114,397 units (2009: 10,758 units) | - | - | 14,847,423 | 14,847,423 | 1,273,258 |
| Redemption of 218,603 units (2009: 484 units) | 18,301,294 | - | - | 18,301,294 | 31,755 |
| Redemption of 43,691 (2009: 697 units) | - | 5,397,953 | - | 5,397,953 | 78,636 |
| Redemption of 3,704 units (2009: 377 units) | - | - | 485,545 | 485,545 | 44,620 |

| | ------(Un Audited)----- | | | | Quarter ended December 31, 2009 |
|---|---------------------------------|-------------------------|---------------------------------|-----------|--|
| | Quarter ended December 31, 2010 | | | | |
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | |
| | ----- Rupees ----- | | | | |
| Pension Fund Manager | | | | | |
| Remuneration | 195,391 | 281,424 | 239,140 | 715,955 | 549,196 |
| Sales load | 1,111 | 1,095 | 225 | 2,431 | 5,611 |
| Summit Bank Limited (formerly: Arif Habib Bank Ltd) | | | | | |
| Mark-up received during the period | 135,997 | 26,522 | 8,556 | 171,075 | 142,884 |
| MCB Financial Services Limited -Trustee | | | | | |
| Trustee fee | 25,437 | 36,638 | 31,133 | 93,208 | 72,085 |
| Directors and officers | | | | | |
| Issue of 16,580 units (2009: 34,482 units) | 1,590,029 | - | - | 1,590,029 | 2,641,967 |
| Issue of 15,097 units (2009: 19,033 units) | - | 1,888,578 | - | 1,888,578 | 2,143,344 |
| Issue of 7,433 units (2009: 7,051 units) | - | - | 984,414 | 984,414 | 837,563 |
| Redemption of 7,154 units (2009: 195 units) | 687,705 | - | - | 687,705 | 12,784 |
| Redemption of 4,419 units (2009: 494 units) | - | 551,497 | - | 551,497 | 55,918 |
| Redemption of 2,752 units (2009: 222 units) | - | - | 363,166 | 363,166 | 26,413 |

10.2 Amounts outstanding as at the period end

| | ------(Un Audited)----- | | | | (Audited) |
|--|---------------------------|-------------------------|---------------------------------|-------------|---------------|
| | As at December 31, 2010 | | | | |
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund | Total | June 30, 2010 |
| ----- Rupees ----- | | | | | |
| Pension Fund Manager | | | | | |
| Remuneration payable | 70,045 | 96,018 | 81,482 | 247,545 | 206,058 |
| Investment of 300,000 units as seed capital (2009: 300,000) | 30,720,000 | 37,935,000 | 40,050,000 | 108,705,000 | 99,441,000 |
| Summit Bank Limited (formerly: Arif Habib Bank Ltd) | | | | | |
| Bank Balances | 3,051,654 | 1,343,516 | 604,046 | 4,999,216 | 15,119,151 |
| Mark-up receivable | 49,792 | 16,878 | 10,064 | 76,734 | 53,067 |
| MCB Financial Services Limited -Trustee | | | | | |
| Trustee fee payable | 9,113 | 12,492 | 10,601 | 32,206 | 26,923 |
| Directors and Officers | | | | | |
| Investment -113,780 units (2010: 294,602 units) | 11,651,072 | - | - | 11,651,072 | 24,316,457 |
| Investment -146,025 units (2010: 90,048 units) | - | 18,464,861 | - | 18,464,861 | 10,957,049 |
| Investment -128,597 units (2010: 17,903 units) | - | - | 17,167,700 | 17,167,700 | 2,278,217 |

11. EARNINGS PER UNIT

Earnings per unit (EPU) for the half year and quarter ended December 31, 2010 in respect of each sub-fund has been calculated by dividing the net income after taxation of a sub-fund by the weighted average number of units of the sub-fund in circulation during the period, which are given below:

| | Half Year ended December 31, 2010 | | |
|----------------------------------|-----------------------------------|-------------------------|---------------------------------|
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund |
| Net income after taxation | 7,294,047 | 4,857,660 | 6,014,226 |
| Weighted average number of units | 623,265 | 579,100 | 435,789 |
| Earnings per unit | 11.70 | 8.39 | 13.80 |
| | Quarter ended December 31, 2010 | | |
| | PPF Equity Sub-Fund | PPF Debt Sub-Fund | PPF Money Market Sub-Fund |
| Net income after taxation | 1,735,324 | 2,121,794 | 1,688,928 |
| Weighted average number of units | 551,804 | 596,690 | 479,269 |
| Earnings per unit | 3.14 | 3.56 | 3.52 |

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arms length transaction.

Investments are revalued at the market prices using the appropriate method prevailing on the balance sheet date. The estimated fair value of all other assets and liabilities is considered not different from book value.

13. DATE OF AUTHORISATION FOR ISSUE

These condensed financial information were authorised for issue on February 19, 2011 by the Board of Directors of the Pension Fund Manager.

14. GENERAL

Figures have been rounded off to the nearest Rupees.

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

Chief Executive

Director

Asset Manager Rating
'AM2' Positive Outlook (by PACRA)



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