

PAKISTAN PENSION FUND

CONTENTS

1	Vision, Mission & Core Values	02
2	Fund's Information	03
3	Report of the Director of the Fund Manager	05
4	Report of the Fund Manager	08
5	Report of the Trustee to the Participants	10
6	Auditor's Report to the Participants	11
7	Balance Sheet	14
8	Income Statement	15
9	Cash Flow Statment	16
10	Statement of Movement in Participants' Sub-Fund	17
11	Statement of Investments by Category	18
12	Statement of Investment Portfolio	19
13	Statement of Other Investments	24
14	Contribution Table	26
15	Statement of Number of Units in Issue	27
16	Financial Performance Table	28
17	Notes to and Forming part of the Financial Statements	29

Vision

To become synonymous with Savings

Mission

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

Core Values

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

PAKISTAN PENSION FUND FUND'S INFORMATION

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

PAKISTAN PENSION FUND

REPORT OF THE DIRECTOR OF THE FUND MANAGER

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

Economy & Money Market Overview and Outlook

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

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

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

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

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

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

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

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

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

Equities Market Overview and Outlook

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

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

PAKISTAN PENSION FUND

REPORT OF THE DIRECTOR OF THE FUND MANAGER

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

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

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

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

Fund's Performance

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

During the year, equity sub-fund generated a return of 15.1% while it's since inception return stands at 17%. Money market sub-fund generated an annualized return of 10.3% and it's since inception return stands at 11.1%. Debt sub-fund generated an annualized return of 10.9% during the year while since inception return of the fund stands at 9.8%.

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

Performance Information (%)	Equity	Debt	Money Market
Last twelve Months Return	15.1%	10.9%	10.3%
Since Inception	17.0%	9.8%	11.1%

Equity sub-fund

The net assets of the sub-fund as at June 30, 2012 stood at Rs 74.23 million as compared to Rs 60.99 million at the beginning of the year, registering an increase of 21.7%. The Net Asset Value (NAV) per unit of the sub-fund was Rs 116.84 as compared to Rs 101.67 at the beginning of the year, registering an increase of Rs. 15.17 per unit.

Debt sub-fund

The net Assets of the sub-fund as at June 30, 2012 stood at Rs 124.59 million as compared to Rs 90.51 million at the beginning of the year, registering a positive change of 37.65%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 148.83 as compared to Rs 134.19 at the beginning of the year, registering an increase of Rs 14.64 per unit.

Money Market sub-fund

The net Assets of the sub-fund as at June 30, 2012 stood at Rs 87.07 million as compared to Rs 69.14 million at the beginning of the year, registering a positive change of 25.94%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 155.31 as compared to Rs 140.78 at the beginning of the year, registering an increase of Rs 14.53 per unit.

PAKISTAN PENSION FUND

REPORT OF THE DIRECTOR OF THE FUND MANAGER

Earnings per Unit

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

Sub-Fund	EPU (Rs)
Equity	19.31
Debt	15.76
Money Market	17.43

Update on Workers' Welfare Fund

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

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

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

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

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

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

Sub-Fund	Rs. in million
Equity	0.549
Debt	0.582
Money Market	0.458

External Auditors

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

Acknowledgement

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

For and on behalf of the board

Yasir Qadri
Chief Executive

Karachi: August 15, 2012

PAKISTAN PENSION FUND REPORT OF THE FUND MANAGER

Fund Type and Category

Pakistan Pension Fund (PPF) is an Open-End Voluntary Pension Scheme

Investment Objective

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

Investment Strategy

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

Manager's Review

Equity Sub-fund

During the year, equity sub-fund generated a return of 15.1% as against KSE-100 index return of 10.4%. As of end-June 2012, around 60% exposure was in five sectors namely Banks, Construction & Materials, Oil & Gas, Pharma & Bio Tech and Chemicals. APL, LUCK, MEBL UBL were amongst the major return contributors while ENGRO and PSO were major return dampeners.

Sector-wise, the equity sub-fund increased its exposure within Construction and Materials from around 5% at the beginning of the year to around 15% by end-June 2012 due to higher expected earnings growth amid better margins. The sub-fund almost reduced its exposure in Chemical sector to half by realizing investments from FFBL and SITC. The exposure towards General Industries was reduced from around 9% to 4% by end-June 2012 as the fund reduced its holdings in PKGS due to weaker core financials.

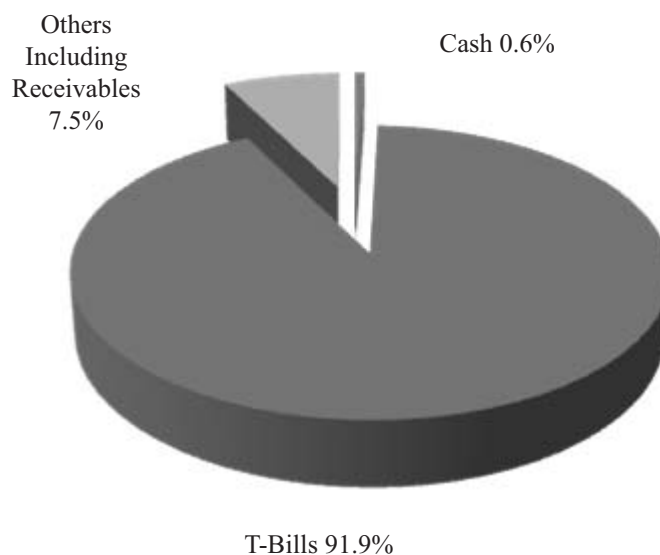
Money Market Sub-fund

The money market sub-fund made an annualized return of 10.3% during the year. The sub-fund was invested in T-Bills almost throughout the year to the tune of over 90%. The net assets of the sub-fund increased to around Rs. 87.07 million by end-June 2012 as against Rs. 69.14 million at the beginning of the year.

Debt Sub-fund

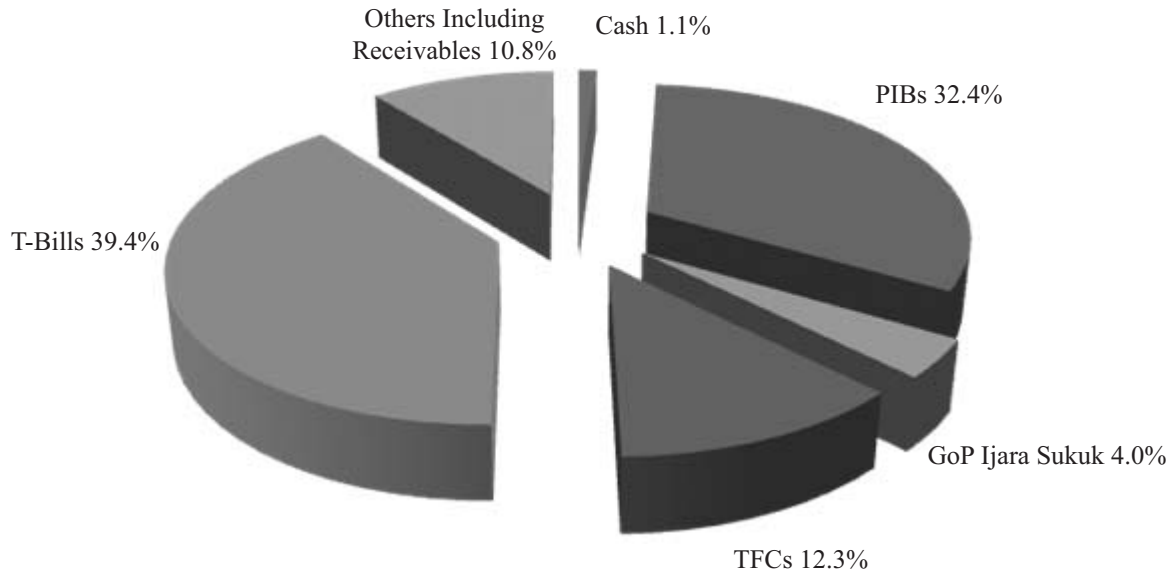
The debt sub-fund generated an annualized return of 10.9% during the year. The sub-fund was largely invested in Government papers due to its attractive risk-return profile with T-bills exposure stood at 39% while PIBs exposure remained at 32% as of end-June 2012. The sub-fund increased its TFCs exposure from 9% at the beginning of the period to around 12% as of end-June 2012. The net assets of the sub-fund increased to Rs. 124.59 million as against Rs. 90.51 million at the beginning of the year.

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

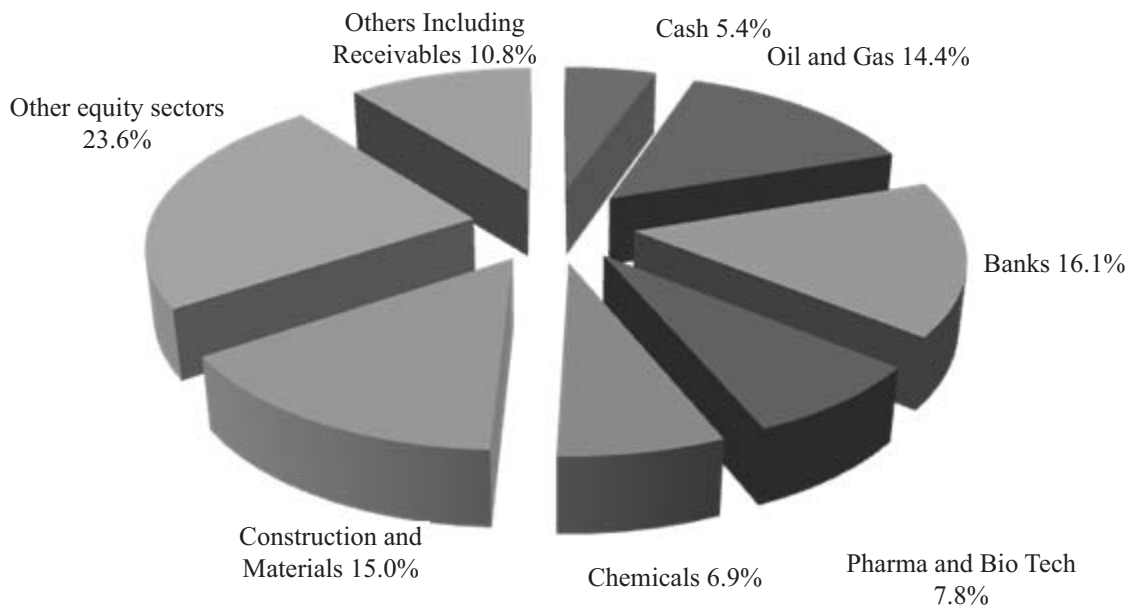


PAKISTAN PENSION FUND REPORT OF THE FUND MANAGER

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



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



Mr. Muhammad Asim, CFA
Fund Manager

Karachi: August 15, 2012

PAKISTAN PENSION FUND REPORT OF THE TRUSTEE TO THE PARTICIPANTS



Habib Metropolitan Bank Ltd.

(Subsidiary of Habib Bank AG Zurich)

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

TRUSTEE REPORT TO THE PARTICIPANTS

PAKISTAN 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.

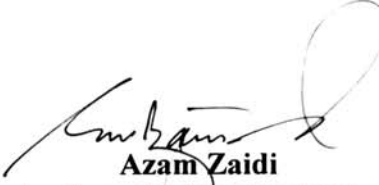
As per amendatory trust deed of change of trustee dated June 16, 2011 MCBFSL retired as the Trustee and Habib Metropolitan Bank Limited was appointed as the Trustee of the Fund.

In our opinion, the Pension Fund Manager has in all material respects managed the Fund during the year ended 30 June 2012 in accordance with the provisions of the following:

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

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

Karachi: September 18, 2012


Azam Zaidi
Senior Executive Vice President
Habib Metropolitan Bank Limited

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PAKISTAN PENSION FUND AUDITORS' REPORT TO THE PARTICIPANTS

Deloitte.

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

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

AUDITORS' REPORT TO THE PARTICIPANTS OF PAKISTAN PENSION FUND

We have audited the annexed financial statements comprising:

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

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

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

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

In our opinion:

- a. the financial statements prepared for the year have been properly drawn up in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005, including the guidelines thereunder;
- b. a true and fair view is given of the financial position of the Fund as at June 30, 2012 and of the transactions of the Fund for the year ended June 30, 2012 in accordance with the approved accounting standards as applicable in Pakistan;

Member of
Deloitte Touche Tohmatsu Limited

PAKISTAN PENSION FUND AUDITORS' REPORT TO THE PARTICIPANTS

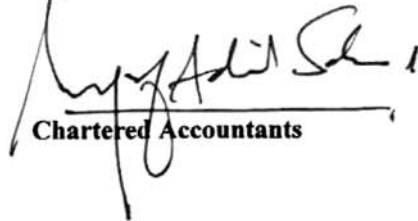
Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants

- c. the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d. the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- e. proper books and records have been kept by the Fund and the financial statements prepared are in agreement with the Fund's books and records;
- f. we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g. no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Emphasis of matter

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



Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Dated: 15 AUG 2012

Member of
Deloitte Touche Tohmatsu

FINANCIAL STATEMENTS

PAKISTAN PENSION FUND

BALANCE SHEET

AS AT JUNE 30, 2012

Note	2012			Total	2011		
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund				
Rupees							
ASSETS							
	Balances with banks	4	4,059,500	1,315,430	513,908	5,888,838	17,176,249
	Investments (as per Statement of Investments by Category)		63,392,913	110,401,051	80,492,336	254,286,300	197,493,562
	Dividend receivable		661,029	-	-	661,029	282,251
	Interest receivable		11,917	1,860,718	12,787	1,885,422	1,693,431
	Deposit and other receivables	5	7,565,185	11,693,199	6,525,315	25,783,699	10,653,186
	Total assets		75,690,544	125,270,398	87,544,346	288,505,288	227,298,679
LIABILITIES							
	Payable against redemption of units		185,414	182,136	111,808	479,358	5,871,119
	Payable to the Pension Fund Manager		96,649	151,313	109,755	357,717	265,823
	Payable to the Trustee		10,663	16,693	12,108	39,464	34,366
	Annual fee payable to the Securities and Exchange Commission of Pakistan		19,738	30,512	23,341	73,591	64,880
	Payable to auditors		67,446	103,295	79,462	250,203	225,500
	Accrued and other liabilities	6	1,083,788	195,307	136,123	1,415,218	186,200
	Total liabilities		1,463,698	679,256	472,597	2,615,551	6,647,888
	NET ASSETS		74,226,846	124,591,142	87,071,749	285,889,737	220,650,791
	Participants Sub-Funds (as per Statement of Movement in Participants' sub-funds)		74,226,846	124,591,142	87,071,749		
	Contingencies and commitments	7					
	----- Number of units -----						
	Number of units in issue		635,304	837,126	560,625		
	----- Rupees -----						
	Net Asset Value per unit		116.84	148.83	155.31		

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN PENSION FUND

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

		2012				2011
Note	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total		
----- Rupees -----						
INCOME						
	Capital gain / (loss) on sale of investments - net	10,032,503	37,577	4,940	10,075,020	4,653,138
	Dividend income	3,714,567	-	-	3,714,567	3,111,050
	Income from government securities	-	8,752,391	8,179,740	16,932,131	14,304,806
	Income from term finance certificates and sukuk bonds	-	1,278,709	-	1,278,709	2,355,015
	Profit on bank deposits	269,866	242,800	244,397	757,063	657,223
	Unrealised gain / (loss) on revaluation of investments at fair value through profit or loss' - net	220,078	17,115	(13,035)	224,158	-
14.1	Impairment loss on listed equity securities classified as 'available for sale'	(2,229,682)	-	-	(2,229,682)	(2,166,249)
	Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	699,169	2,307,263	1,318,248	4,324,680	10,101,198
	Total Income	12,706,501	12,635,855	9,734,290	35,076,646	33,016,181
EXPENSES						
9	Remuneration of Pension Fund Manager	888,216	1,372,755	1,047,136	3,308,107	2,919,648
10	Sales tax on remuneration of Pension Fund Manager	142,115	219,641	167,541	529,297	-
11	Remuneration of Trustee	114,657	177,153	134,860	426,670	379,558
	Annual fee - Securities and Exchange Commission of Pakistan	19,738	30,512	23,341	73,591	64,882
13	Auditors' remuneration	96,473	150,698	116,532	363,703	308,000
	Custody and settlement charges	135,077	152,491	1,000	288,568	49,762
	Securities transaction cost	338,049	650	1,810	340,509	72,908
	Legal and professional charges	18,758	29,056	22,263	70,077	74,829
14.2	Provision against debt securities	-	366,270	-	366,270	-
	Bank charges	5,583	10,019	5,711	21,313	12,519
	Total Expenses	1,758,666	2,509,245	1,520,194	5,788,105	3,882,106
	Net income before taxation	10,947,835	10,126,610	8,214,096	29,288,541	29,134,075
3.10	Provision for taxation - current	-	-	-	-	180,980
	Net income after taxation	10,947,835	10,126,610	8,214,096	29,288,541	28,953,095
Other comprehensive income						
14	Unrealised (loss) / gain on revaluation of investments classified as 'available for sale' - net	(1,346,698)	1,766,111	21,314	440,727	5,608,311
	Total comprehensive income for the year	9,601,137	11,892,721	8,235,410	29,729,268	34,561,406
15	Earnings per unit	19.31	15.76	17.43		

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN PENSION FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	2012				2011
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
Rupees					
CASH FLOW FROM OPERATING ACTIVITIES					
Net income before taxation	10,947,835	10,126,610	8,214,096	29,288,541	29,134,075
Adjustments for non cash items:					
Capital gain / (loss) on sale of investments - net	(10,032,503)	(37,577)	(4,940)	(10,075,020)	(4,653,138)
Unrealised gain / (loss) on revaluation of investments 'at fair value through profit or loss' - net	(220,078)	(17,115)	13,035	(224,158)	-
Impairment loss on listed equity securities classified as 'available for sale'	2,229,682	-	-	2,229,682	2,166,249
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(699,169)	(2,307,263)	(1,318,248)	(4,324,680)	(10,101,198)
	(8,722,068)	(2,361,955)	(1,310,153)	(12,394,176)	(12,588,087)
Decrease / (increase) in assets					
Investments - net	(1,749,211)	(23,365,901)	(23,167,403)	(48,282,515)	(29,371,884)
Dividend receivable	(378,778)	-	-	(378,778)	(107,251)
Interest receivable	18	(190,425)	(1,584)	(191,991)	163,707
Deposits and other receivables	(5,235,371)	(6,250,080)	(3,645,062)	(15,130,513)	(8,110,684)
	(7,363,342)	(29,806,406)	(26,814,049)	(63,983,797)	(37,426,112)
Increase / (decrease) in liabilities					
Payable against redemption of units	(288,029)	(2,340,920)	(2,762,812)	(5,391,761)	5,871,119
Payable against purchase of investments	-	-	-	-	(3,872,056)
Payable to Pension Fund Manager	21,116	45,357	25,421	91,894	59,765
Payable to the Trustee	898	2,995	1,205	5,098	7,443
Annual fee payable to the Securities and Exchange Commission of Pakistan	656	5,246	2,809	8,711	14,997
Payable to auditors	556	15,689	8,458	24,703	(4,499)
Accrued and other liabilities	1,038,936	106,617	83,465	1,229,018	108,932
	774,133	(2,165,016)	(2,641,454)	(4,032,337)	2,185,701
Tax paid	-	-	-	-	(176,499)
Net cash used in operating activities	(4,363,442)	(24,206,767)	(22,551,560)	(51,121,769)	(18,870,922)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipt of contribution	13,942,476	39,720,569	21,521,720	75,184,765	77,996,648
Payment against withdrawal	(9,295,784)	(15,448,787)	(10,605,837)	(35,350,407)	(57,614,729)
Reallocation of units between sub-funds	(321,662)	224,151	97,511	-	-
Net cash generated from financing activities	4,325,031	24,495,934	11,013,394	39,834,359	20,381,919
Net (decrease) / increase in cash and cash equivalent	(38,412)	289,167	(11,538,166)	(11,287,411)	1,510,997
Cash and cash equivalent at beginning of the year	4,097,912	1,026,263	12,052,074	17,176,249	15,665,252
Cash and cash equivalent at end of the year	4,059,500	1,315,430	513,908	5,888,838	17,176,249

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

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

	2012			Total	2011
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		
	----- Rupees -----				
Net assets at beginning of the year	60,999,848	90,509,750	69,141,193	220,650,791	175,808,664
Amount received on issue of units	13,942,476	39,720,569	21,521,720	75,184,765	77,996,648
Amount paid on redemption of units	(9,295,784)	(15,448,787)	(10,605,837)	(35,350,407)	(57,614,729)
Amount (paid) / received on reallocation of units	(321,662)	224,151	97,511	-	-
	4,325,031	24,495,934	11,013,394	39,834,359	20,381,919
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed					
- amount representing (accrued income) / loss and realised (capital gains) / losses	(699,169)	(2,307,263)	(1,318,248)	(4,324,680)	(10,101,198)
- amount representing unrealised (appreciation) / diminution in fair value of investments	(171,375)	(6,080,358)	(2,845,415)	(9,097,148)	(269,875)
	(870,544)	(8,387,621)	(4,163,663)	(13,421,828)	(10,371,073)
Unrealised (loss) / gain on revaluation of investments classified as available for sale - net	(1,346,698)	1,766,111	21,314	440,727	5,608,311
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	171,375	6,080,358	2,845,415	9,097,148	269,875
Net income for the year after taxation	10,947,835	10,126,610	8,214,096	29,288,541	28,953,095
Net Assets at end of the year	74,226,846	124,591,142	87,071,749	285,889,737	220,650,791

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

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

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

----- Rupees -----

Investments 'at fair value through profit or loss'

- Listed equity securities	43,576,371	-	-	43,576,371	-
- Pakistan Investment Bonds	-	931,282	-	931,282	-
- Market Treasury Bills	-	18,235,710	80,492,336	98,728,046	-
- Term Finance Certificates	-	7,000,000	-	7,000,000	-
	43,576,371	26,166,992	80,492,336	150,235,699	-

'Available for sale' investments

- Listed equity securities	19,816,542	-	-	19,816,542	54,967,501
- Pakistan Investment Bonds	-	39,635,741	-	39,635,741	37,876,032
- Market Treasury Bills	-	31,159,568	-	31,159,568	96,151,463
- Term Finance Certificates and Sukuk Bonds	-	8,436,250	-	8,436,250	8,498,566
- Government Ijarah Sukuks	-	5,002,500	-	5,002,500	-
	19,816,542	84,234,059	-	104,050,601	197,493,562

Investments at market value

63,392,913	110,401,051	80,492,336	254,286,300	197,493,562
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The annexed notes 1 to 22 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN PENSION FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2012

INVESTMENTS 'AT FAIR VALUE THROUGH PROFIT OR LOSS'

PPF EQUITY SUB-FUND

LISTED EQUITY SECURITIES

Name of the Investee Company	Number of shares				As at June 30, 2012			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company	
	As at July 01, 2011	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2012	Cost	Market value			Appreciation/ (Diminution)
----- Rupees -----										
OIL AND GAS PRODUCERS										
Attock Petroleum Limited	-	2,250	-	-	2,250	1,015,514	1,067,333	51,818	1.44	0.0033
National Refinery Limited	-	12,300	-	12,300	-	-	-	-	-	-
Oil & Gas Development Company Limited	-	7,300	-	40	7,260	1,211,366	1,164,794	(46,572)	1.57	0.0002
Pakistan Oilfields Limited	-	4,240	-	-	4,240	1,571,629	1,555,826	(15,803)	2.10	0.0018
Pakistan Petroleum Limited	-	5,900	-	-	5,900	1,088,750	1,110,911	22,161	1.50	0.0004
Pakistan State Oil Company Limited	-	11,680	-	10,833	847	222,944	199,765	(23,179)	0.27	0.0005
						<u>5,110,203</u>	<u>5,098,628</u>	<u>(11,575)</u>	<u>6.87</u>	
CHEMICALS										
Engro Corporation Limited	-	18,500	-	-	18,500	1,926,399	1,884,040	(42,359)	2.54	0.0036
Fauji Fertilizer Bin Qasim Limited	-	8,000	-	8,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	120,100	-	90,100	30,000	3,454,359	3,331,500	(122,859.00)	4.49	0.0024
						<u>5,380,758</u>	<u>5,215,540</u>	<u>(165,218)</u>	<u>7.03</u>	
FORESTRY AND PAPER										
Pakistan Paper Products	-	11,395	-	-	11,395	406,824	552,430	145,605	0.74	0.0002
						<u>406,824</u>	<u>552,430</u>	<u>145,605</u>	<u>0.74</u>	
CONSTRUCTION AND MATERIALS										
Attock Cement Pakistan Limited	-	28,000	-	-	28,000	2,268,000	2,280,320	12,320	3.07	0.0323
Cherat Cement Company Limited	-	135,000	-	-	135,000	3,108,281	3,998,700	890,419	5.39	0.1412
Kohat Cement Limited	-	28,000	-	-	28,000	1,109,046	1,127,280	18,234	1.52	0.0217
Lafarge Pakistan Cement Limited	-	250,000	-	-	250,000	1,418,875	1,080,000	(338,875)	1.45	0.0190
Lucky Cement Limited	-	2,931	-	-	2,931	346,220	338,208	(8,012)	0.46	0.0009
						<u>8,250,422</u>	<u>8,824,508</u>	<u>574,086</u>	<u>11.89</u>	
GENERAL INDUSTRIALS										
Ghani Glass Limited	-	36,250	-	36,250	-	-	-	-	-	-
Thal Limited	-	24,000	-	-	24,000	2,377,440	2,232,000	(145,440)	3.01	0.0326
						<u>2,377,440</u>	<u>2,232,000</u>	<u>(145,440)</u>	<u>3.01</u>	
INDUSTRIAL ENGINEERING										
Millat Tractors Limited	-	9,020	-	2,310	6,710	3,314,066	3,239,923	(74,143)	4.36	0.0183
						<u>3,314,066</u>	<u>3,239,923</u>	<u>(74,143)</u>	<u>4.36</u>	
AUTOMOBILE AND PARTS										
Exide Pakistan Limited	-	18,384	-	-	18,384	3,280,992	3,180,248	(100,744)	4.28	0.2603
						<u>3,280,992</u>	<u>3,180,248</u>	<u>(100,744)</u>	<u>4.28</u>	
FOOD PRODUCERS										
Engro Foods Limited	-	40,000	-	40,000	-	-	-	-	-	-
PHARMA AND BIO TECH										
Abbott Laboratories Pakistan Limited	-	27,500	-	-	27,500	3,437,500	3,273,875	(163,625)	4.41	0.0281
GlaxoSmithKline Pakistan Limited	-	42,000	-	-	42,000	2,696,501	2,656,080	(40,421)	3.58	0.0160
						<u>6,134,001</u>	<u>5,929,955</u>	<u>(204,046)</u>	<u>7.99</u>	
MEDIA										
Hum Network Limited	-	50,000	-	-	50,000	1,050,000	1,050,000	-	1.41	0.1000
						<u>1,050,000</u>	<u>1,050,000</u>	<u>-</u>	<u>1.41</u>	

PAKISTAN PENSION FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2012

Name of the Investee Company	----- Number of shares -----				As at June 30, 2012			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company
	As at July 01, 2011	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2012	Cost	Market value		

----- Rupees -----

FIXED LINE TELECOMMUNICATION

Pakistan Telecommunication Company Limited 'A'	-	67,000	-	67,000	-	-	-	-	-	-
Wateen Telecom Limited	-	185,000	-	-	185,000	604,913	370,000	(234,913)	0.50	-
						<u>604,913</u>	<u>370,000</u>	<u>(234,913)</u>	<u>0.50</u>	

ELECTRICITY

Hub Power Company Limited	-	41,600	-	-	41,600	1,491,514	1,742,624	251,110	2.35	0.0036
Kot Addu Power Company Limited	-	19,130	-	19,130	-	-	-	-	-	-
						<u>1,491,514</u>	<u>1,742,624</u>	<u>251,110</u>	<u>2.35</u>	

BANKS

Bank Al-Falah Limited	-	196,000	-	-	196,000	3,229,218	3,351,600	122,382	4.52	0.0145
Bank Al-Habib Limited	-	16,500	1,350	-	17,850	505,765	508,189	2,424	0.68	0.0018
Habib Bank Limited	-	22,000	2,200	24,200	-	-	-	-	-	-
Meezan Bank Limited	-	6,500	-	-	6,500	185,136	187,980	2,844	0.25	0.0007
United Bank Limited	-	26,700	-	-	26,700	2,035,041	2,092,746	57,705	2.82	0.0022
						<u>5,955,160</u>	<u>6,140,515</u>	<u>185,355</u>	<u>8.27</u>	

Total

43,356,293 43,576,371 220,078 58.71

Total

2012 2011

----- Rupees -----

Market value

43,576,371 -

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

PAKISTAN PENSION FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2012

'AVAILABLE FOR SALE' INVESTMENTS

PPF EQUITY SUB-FUND

LISTED EQUITY SECURITIES

Name of the Investee Company	Number of shares				As at June 30, 2012			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company	
	As at July 01, 2011	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2012	Cost	Market value			Appreciation/ (Diminution)
----- Rupees -----										
OIL AND GAS PRODUCERS										
Attock Petroleum Limited	-	6,300	-	2,454	3,846	1,493,546	1,824,427	330,881	2.46	0.0056
Attock Refinery Limited	-	19,464	-	19,464	-	-	-	-	-	-
Oil & Gas Development Company Limited	-	20,000	-	20,000	-	-	-	-	-	-
Pakistan Oilfields Limited	8,594	-	-	3,940	4,654	985,718	1,707,739	722,021	2.30	0.0020
Pakistan Petroleum Limited	12,861	4,000	1,286	6,198	11,949	1,689,830	2,249,877	560,047	3.03	0.0009
Pakistan State Oil Company Limited	9,767	1,200	-	10,967	-	-	-	-	-	-
						<u>4,169,094</u>	<u>5,782,043</u>	<u>1,612,949</u>	<u>7.79</u>	
CHEMICALS										
Engro Corporation Limited	14,709	15,850	7,519	38,078	-	-	-	-	-	-
Fatima Fertilizer Company Limited	-	112,000	-	112,000	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	34,359	-	-	34,359	-	-	-	-	-	-
Fauji Fertilizer Company Limited	14,156	32,000	28	46,156	28	3,336	3,109	(227)	0.00	0.0000
Sitara Chemical Industries Limited	20,767	13,000	-	33,767	-	-	-	-	-	-
						<u>3,336</u>	<u>3,109</u>	<u>(227)</u>	<u>0.00</u>	
FORESTRY AND PAPER										
Century Paper & Board Mills Limited	98,170	-	-	98,170	-	-	-	-	-	-
Security Papers Limited	31,000	14,760	-	-	45,760	1,740,820	2,013,440	272,620	2.71	0.1112
						<u>1,740,820</u>	<u>2,013,440</u>	<u>272,620</u>	<u>2.71</u>	
INDUSTRIAL METALS AND MINING										
International Industries Limited	56,519	-	-	56,519	-	-	-	-	-	-
CONSTRUCTION AND MATERIALS										
Fauji Cement Company Limited	-	500,000	-	500,000	-	-	-	-	-	-
Lucky Cement Limited	40,454	600	-	19,000	22,054	1,558,777	2,544,811	986,034	3.43	0.0068
						<u>1,558,777</u>	<u>2,544,811</u>	<u>986,034</u>	<u>3.43</u>	
GENERAL INDUSTRIALS										
Packages Limited	24,403	-	-	24,403	-	-	-	-	-	-
Thal Limited	25,100	-	3,020	18,100	10,020	920,349	931,860	11,511	1.26	0.0136
						<u>920,349</u>	<u>931,860</u>	<u>11,511</u>	<u>1.26</u>	
ELECTRONIC AND ELECTRICAL EQUIPMENT										
Pakistan Cables Limited	9,532	-	-	-	9,532	1,558,249	363,646	(1,194,603)	0.49	0.0335
						<u>1,558,249</u>	<u>363,646</u>	<u>(1,194,603)</u>	<u>0.49</u>	
AUTOMOBILE AND PARTS										
Agriauto Industries Limited	-	395	-	395	-	-	-	-	-	-
PERSONAL GOODS										
Nishat Chunian Limited	72,000	-	-	72,000	-	-	-	-	-	-
Nishat Mills Limited	49,086	-	-	49,086	-	-	-	-	-	-
TOBACCO										
Pakistan Tobacco Company Limited	17,988	299	-	18,287	-	-	-	-	-	-

PAKISTAN PENSION FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2012

Name of the Investee Company	----- Number of shares -----					As at June 30, 2012			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company
	As at July 01, 2011	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2012	Cost	Market value	Appreciation/ (Diminution)		

----- Rupees -----

FIXED LINE TELECOMMUNICATION

Pakistan Telecommunication Company Limited 'A'	100,000	255,000	-	355,000	-	-	-	-	-	-
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ELECTRICITY

Hub Power Company Limited	77,745	40,000	-	67,600	50,145	1,821,905	2,100,574	278,669	2.83	0.0043
Kot Addu Power Company Limited	49,693	12,899	-	62,592	-	-	-	-	-	-
						<u>1,821,905</u>	<u>2,100,574</u>	<u>278,669</u>	<u>2.83</u>	

BANKS

Allied Bank Limited	44,083	-	4,408	48,491	-	-	-	-	-	-
Bank Al-Habib Limited	84,049	26,000	13,507	20,000	103,556	2,352,009	2,948,239	596,230	3.97	0.0102
Habib Metropolitan Bank Limited	115,611	-	-	115,611	-	-	-	-	-	-
Meezan Bank Limited	149,785	20,000	17,202	122,162	64,825	805,383	1,874,739	1,069,356	2.53	0.0072
National Bank of Pakistan	35,500	26,000	-	61,500	-	-	-	-	-	-
United Bank Limited	-	48,000	-	32,000	16,000	849,383	1,254,080	404,697	1.69	0.0013
						<u>4,006,775</u>	<u>6,077,058</u>	<u>2,070,283</u>	<u>8.19</u>	

Total

15,779,305 19,816,542 4,037,237 26.70

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

Market value

19,816,542 54,967,501

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

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

**PPF DEBT SUB-FUND
PAKISTAN INVESTMENT BONDS, MARKET TREASURY BILLS AND
GOVERNMENT IJARAH SUKUKS**

Name of investment	Face value				Balance as at June 30, 2012			Market value as % of net assets
	As at July 01, 2011	Purchases during the year	Sales / matured during the year	As at June 30, 2012	Cost	Market value	Appreciation / (Diminution)	
----- Rupees -----								
'At fair value through profit or loss'								
Pakistan Investment Bonds	-	76,000,000	75,000,000	1,000,000	912,296	931,282	18,986	0.75
Market Treasury Bills	-	26,550,000	8,000,000	18,550,000	18,237,581	18,235,710	(1,871)	14.64
	-	102,550,000	83,000,000	19,550,000	19,149,877	19,166,992	17,115	
'Available for sale' investments								
Pakistan Investment Bonds	40,000,000	40,000,000	40,000,000	40,000,000	39,683,561	39,635,741	(47,820)	31.81
Market Treasury Bills	39,900,000	56,000,000	63,900,000	32,000,000	31,186,729	31,159,568	(27,161)	25.01
Government Ijarah Sukuk (3 years)	-	5,000,000	-	5,000,000	5,062,825	5,002,500	(60,325)	4.02
	79,900,000	101,000,000	103,900,000	77,000,000	75,933,115	75,797,809	(135,306)	
	79,900,000	203,550,000	186,900,000	96,550,000	95,082,991	94,964,801	(118,190)	76.22

	Total	
	2012	2011
	----- Rupees -----	
Market value	94,964,801	76,715,780

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

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

Chief Executive Officer

Director

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

PPF DEBT SUB-FUND TERM FINANCE CERTIFICATES AND SUKUK BONDS

Name of the investee company	Issue date	Number of certificates				Balance as at June 30, 2012			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 1, 2011	Purchases during the year	Sales / matured during the year	As at June 30, 2012	Cost	Market value	Appreciation / (Diminution)			

-----Rupees-----

'At fair value through profit or loss'

Term finance certificates

Standard Chartered Bank (Pakistan) Limited - TFC

18-May-12	-	1,400	-	1,400	7,000,000	7,000,000	-	5.62	6.34	0.28
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'Available for sale' investments

Term finance certificates

Bank Alfalah Limited TFC - IV (Floating)

2-Dec-09	500	-	-	500	2,498,749	2,634,863	136,114	2.11	2.39	0.05
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Engro Fertilizer Limited - TFC PRP-1

18-Mar-08	800	-	-	800	3,462,000	3,804,000	342,000	3.05	3.45	0.10
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Askari Commercial Bank Limited TFC - I

4-Feb-05	175	-	-	175	862,079	872,381	10,301	0.70	0.79	0.06
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	1,475	-	-	1,475	6,822,828	7,311,243	488,415	5.87	6.62	
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Sukuk bonds

Pak Elektron Limited

28-Sep-07	750	-	-	750	1,378,937	1,125,007	(253,930)	0.90	1.02	0.09
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Total

	2,225	1,400	-	3,625	15,201,765	15,436,250	234,485	12.39	13.98	
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Total

2012	2011
------	------

-----Rupees-----

Market value

<u>15,436,250</u>	<u>8,498,566</u>
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The annexed notes 1 to 22 form an integral part of these financial statements.

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

Chief Executive Officer

Director

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

**PPF MONEY MARKET SUB-FUND
MARKET TREASURY BILLS**

Name of investment	Face value				Balance as at June 30, 2012			Market value as % of net assets
	As at July 01, 2011	Purchases during the year	Sales / maturities during the year	As at June 30, 2012	Cost	Market value	(Diminution)	
----- Rupees -----								
'At fair value through profit or loss'								
Market Treasury Bills	-	168,300,000	87,000,000	81,300,000	80,505,371	80,492,336	(13,035)	92.44
'Available for sale' investments								
Market Treasury Bills	58,000,000	179,600,000	237,600,000	-	-	-	-	-
	58,000,000	347,900,000	324,600,000	81,300,000	80,505,371	80,492,336	(13,035)	92.44

	Total	
	2012	2011
	----- Rupees -----	
Market value	<u>80,492,336</u>	<u>57,311,714</u>

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

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

Chief Executive Officer

Director

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

Contributions net of front end fee	June 30, 2012						Total	Total June 30, 2011
	PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund			
	Units	Rupees	Units	Rupees	Units	Rupees		
Opening balance	600,000	50,882,315	674,513	73,624,860	491,113	54,077,774	178,584,949	158,203,030
Individuals - issue of units	128,983	13,942,476	272,638	39,720,569	148,243	21,521,720	75,184,765	77,996,648
- redemption of units	(90,919)	(9,295,784)	(111,532)	(15,448,787)	(79,360)	(10,605,837)	(35,350,407)	(57,614,729)
- reallocation of units	(2,761)	(321,662)	1,506	224,151	628	97,511	-	-
	35,304	4,325,031	162,613	24,495,934	69,512	11,013,394	39,834,359	20,381,919
Closing balance	635,304	55,207,346	837,126	98,120,794	560,625	65,091,168	218,419,308	178,584,949

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

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive Officer

Director

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

	PPF Equity Sub-Fund	PPF Debt Sub- Fund	PPF Money Market Sub-Fund
	----- Number of units -----		
Total Units outstanding at beginning of the year	600,000	674,513	491,113
Add: Units issued during the year	128,983	272,638	148,243
Less: Units redeemed during the year	(90,919)	(111,532)	(79,360)
(Less) / Add: Units reallocated during the year	(2,761)	1,506	628
Total units in issue at the end of the year	635,304	837,126	560,625

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

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

Chief Executive Officer

Director

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

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2012	June 30, 2011	% Change	June 30, 2012	June 30, 2011	% Change	June 30, 2012	June 30, 2011	% Change
	-----Rupees-----			-----Rupees-----			-----Rupees-----		
Net income after taxation	10,947,835	7,653,619	43	10,126,610	11,442,811	(12)	8,214,096	9,856,665	(17)
Realised capital gains / (losses)	10,032,503	4,765,981	111	37,577	(111,841)	(134)	4,940	(1,002)	(593)
Unrealised (losses) / gains	(1,126,620)	5,688,128	(120)	1,783,226	(74,888)	(2,481)	8,279	(4,929)	(268)
Impairment loss on available for sale investments	(2,229,682)	(2,166,249)	3	-	-	-	-	-	-
Dividend income / interest income	3,984,433	3,547,052	12	10,273,900	9,341,383	10	8,424,137	7,539,659	12
Net assets value per unit	117	102	15	149	134	11	155	141	10
Earnings per unit	19	13	49	16	19	(18)	17	22	(20)
Transactions in securities									
Purchases	100,000,457	23,687,160	322	202,225,391	258,959,672	(22)	339,444,305	114,499,048	196
Sales*	98,246,082	33,520,960	193	182,882,675	1,990,662	9,087	324,456,635	51,743,102	527
Total contribution received	13,942,476	17,630,330	(21)	39,720,569	34,675,947	15	21,521,720	25,690,371	(16)

* This includes maturity of Rs. 62.3 million T-bills in debt sub-fund and that of Rs. 319.6 million T-bills in money market sub-fund.

Highest and lowest 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
134.26	148.96	140.86	155.36	92.82	120.38

-----Rupees-----

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

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

Chief Executive Officer

Director

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan Pension Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Pension Fund Manager and Muslim Commercial Financial Services (Private) Limited (MCFSL) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 24, 2007 and was executed on June 4, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). Habib Metropolitan Bank Limited was appointed as the new Trustee in place of MCFSL through a revised Trust Deed dated June 16, 2011 which was approved by SECP on July 7, 2011. PPF is an open-ended pension fund consisting of three sub-funds namely PPF Equity Sub-Fund, PPF Debt Sub-Fund and PPF Money Market Sub-Fund. Units are offered for public subscription on a continuous basis. The number of units of any sub-fund purchased out of contributions depends on the Allocation Scheme selected by the respective Participant out of the allocation schemes offered by the Pension Fund Manager.

Based on the shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited, the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated 10 June 2011). Arif Habib Investments Limited, being a listed company, is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However, subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated 27 June 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honorable Sindh High Court (SHC). The honorable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Fund's assets and NAV remain unaffected, irrespective of the final ruling.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 New, revised and amended standards and interpretations

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

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

<i>Standards or interpretations</i>	<i>Effective date (accounting periods beginning on or after)</i>
<i>Amendment to IAS 1 - Presentation of Financial Statements</i>	<i>January 01, 2011</i>
<i>IAS 24 (as revised in 2009) - Related Party Disclosures</i>	<i>January 01, 2011</i>
<i>Amendment to IAS 34 - Interim Financial Reporting</i>	<i>January 01, 2011</i>
<i>Amendment to IFRS 7 - Disclosures - Transfer of Financial Assets</i>	<i>July 01, 2012</i>
<i>Amendment to IFRIC 13 - Customer Loyalty Programmes</i>	<i>January 01, 2011</i>
<i>Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement</i>	<i>January 01, 2011</i>

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

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

<i>Standards / amendments / Interpretations</i>	<i>Effective for annual periods beginning on or after</i>
<i>Amendments to IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income</i>	<i>July 01, 2012</i>
<i>Amendments to IAS 12 - Income Taxes - Deferred Tax: Recovery of Underlying Assets</i>	<i>January 01, 2012</i>

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

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

Standards or interpretations

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

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).

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets

3.1.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available for sale

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

3.1.2 Regular way contracts

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

3.1.3 Initial recognition and measurement

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

3.1.4 Subsequent measurement

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

a) Basis of valuation of government securities

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

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

b) Basis of valuation of equity securities

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

c) Basis of valuation of debt securities

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

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

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

Loans and receivables are carried at amortised cost.

3.1.5 Impairment

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

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

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

3.1.6 Derecognition

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

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.1.7 Offsetting of financial assets and financial liabilities

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

3.1.8 Reclassification

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

3.2 Financial liabilities

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

3.3 Derivatives

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

3.4 Formation cost

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

3.5 Issue, allocation, reallocation and redemption of units

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

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

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

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

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

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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

3.7 Provisions

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

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

3.10 Taxation

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

3.11 Revenue recognition

- Realised capital gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.
- Income from term finance certificates is recognised on time proportion basis.
- Income from government securities is accrued using the effective interest rate method.
- Profit on bank deposits is recognised on an accrual basis.

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.12 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks.

3.13 Foreign currency translation

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

3.14 Functional and presentation currency

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

4. BALANCES WITH BANKS

	June 30, 2012				June 30, 2011
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- Rupees -----					
Savings accounts	4,059,500	1,315,430	513,908	5,888,838	17,176,249
	<u>4,059,500</u>	<u>1,315,430</u>	<u>513,908</u>	<u>5,888,838</u>	<u>17,176,249</u>

Savings accounts with banks carry interest at the rate of 8.00% per annum (2011: 5.00% to 11.75% per annum).

5. DEPOSIT AND OTHER RECEIVABLES

	June 30, 2012				June 30, 2011
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
----- Rupees -----					
Receivable against issuance of units	4,864,043	10,939,433	6,231,391	22,034,867	9,853,186
Security deposit - Central Depository Company of Pakistan Limited	200,000	200,000	100,000	500,000	800,000
Security deposit - National Clearing Company of Pakistan Limited	2,500,000	-	-	2,500,000	-
Receivable from sub-funds	-	553,766	193,924	747,690	-
Other receivables	1,142	-	-	1,142	-
	<u>7,565,185</u>	<u>11,693,199</u>	<u>6,525,315</u>	<u>25,783,699</u>	<u>10,653,186</u>

6. ACCRUED AND OTHER LIABILITIES

Professional charges payable	29,341	42,383	33,202	104,926	140,000
Federal excise duty payable	21,759	-	-	21,759	-
Payable to sub-funds	747,690	-	-	747,690	-
Others	284,998	152,924	102,921	540,843	46,200
	<u>1,083,788</u>	<u>195,307</u>	<u>136,123</u>	<u>1,415,218</u>	<u>186,200</u>

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

7. CONTINGENCIES AND COMMITMENTS

7.1 Contribution To Workers Welfare Fund

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

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

During the year, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Honorable High Court of Sindh. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs. 0.549 million, Rs. 0.582 million and Rs. 0.458 million for equity sub-fund, debt sub-fund and money market sub-fund respectively (June 2011: Rs. 0.33 million, Rs. 0.379 million and Rs. 0.294 million). If the same were recognised, the net asset value per unit of each sub-fund as at June 30, 2012 / the net income for the year then ended would have been lower by Rs. 0.86 / 5%, Rs. 0.69 / 5.7% and Rs. 0.82 / 5.6% for equity sub-fund, debt sub-fund and money market sub-fund respectively.

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

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

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

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

9. REMUNERATION OF PENSION FUND MANAGER

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

10. SALES TAX ON REMUNERATION OF PENSION FUND MANAGER

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

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

11. REMUNERATION OF TRUSTEE

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

12. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

13. AUDITORS' REMUNERATION

	June 30, 2012				June 30, 2011
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	Rupees				
Audit fee	67,383	103,188	79,385	249,956	220,000
Half yearly review fee	22,541	38,079	29,626	90,246	80,000
Out-of-pocket expenses	6,549	9,431	7,521	23,501	8,000
	96,473	150,698	116,532	363,703	308,000

14. NET UNREALISED (LOSS) / GAIN ON REVALUATION OF INVESTMENTS CLASSIFIED AS 'AVAILABLE FOR SALE'

	June 30, 2012				June 30, 2011
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	Rupees				
Market value	19,816,542	84,234,059	-	104,050,601	197,493,561
Average cost	(15,779,305)	(84,134,880)	-	(99,914,185)	(197,897,188)
Impairment loss					
Opening	5,722,140	-	-	5,722,140	9,190,573
Charged during the year	2,229,682	-	-	2,229,682	2,166,249
Derecognized on sale of investments	(6,698,597)	-	-	(6,698,597)	(5,634,682)
	1,253,225	-	-	1,253,225	5,722,140
Net surplus / (deficit)	5,290,462	99,179.11	-	5,389,641	5,318,513
Provision during the year	-	366,270	-	366,270	-
Net unrealised (appreciation) / diminution in the fair value of investments at the beginning of the year	(6,637,160)	1,300,662	21,314	(5,315,184)	289,798
Current year (diminution) / appreciation	(1,346,698)	1,766,111	21,314	440,727	5,608,311

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- 14.1** As at June 30, 2012, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as 'available for sale' and has determined that an impairment loss amounting to Rs. 2.23 million for the year ended June 30, 2012 be charged to the income statement.
- 14.2** The Fund has recognised a provision amounting to Rs. 0.366 million (a provision of 30%) against the principal amount of Pak Electron Limited (PEL) TFCs outstanding as on June 30, 2012 in accordance with the guidance of circular no. 1 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) on January 06, 2009.

15. EARNINGS PER UNIT

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

	For the year ended June 30, 2012		
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund
	----- Rupees -----		
Weighted average number of units	567,087	642,653	471,275
Net income after taxation	10,947,835	10,126,610	8,214,096
Earnings per unit	19.31	15.76	17.43

16. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHIL) being the Pension Fund Manager and MCB Bank Limited being the holding company of AHIL, Habib Metropolitan Bank Limited being the Trustee, other collective investment schemes managed by the Pension Fund Manger as Management Company and directors and executives of the Pension Fund Manager. Up till June 27, 2011, MCB Financial Services Limited was the Trustee of the Fund, therefore comparative figures have been shown with respect to the former Trustee.

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

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

16.1 Transactions during the year

	Year ended June 30, 2012				Year ended June 30, 2011
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	----- Rupees -----				
Arif Habib Investments Limited - Pension Fund Manager					
Remuneration	1,030,331	1,592,396	1,214,677	3,837,404	2,919,648
Sales load	67,318	208,838	125,693	401,849	253,038
Summit Bank Limited					
Mark-up earned during the year	-	-	-	-	25,540

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Year ended June 30, 2012				Year ended June 30, 2011
PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	

Rupees

Habib Metropolitan Bank Limited - Trustee					
Remuneration	114,657	177,153	134,860	426,670	-
Mark-up earned during the year	269,866	242,800	244,397	757,063	-
Bank Charges	4,324	5,604	4,602	14,530	-
MCB Financial Services Limited - Former Trustee					
Remuneration	-	-	-	-	379,558
Directors and officers					
Issue of 12,781 units of PPF Equity sub - fund (2011: 97,691 units)	1,427,107	-	-	1,427,107	9,932,263
Issue of 10,553 units of PPF Debt sub - fund (2011: 145,681 units)	-	1,526,283	-	1,526,283	19,548,925
Issue of 9,120 units of PPF Money Market sub - fund (2011: 133,128 units)	-	-	1,368,467	1,368,467	18,741,730
Redemption of 5,377 units of PPF Equity sub - fund (2011: 263,765 units)	550,758	-	-	550,758	26,816,959
Redemption of 30,673 units of PPF Debt sub - fund (2011: 111,523 units)	-	4,304,810	-	4,304,810	14,965,260
Redemption of 37,577 units of PPF Money Market sub - fund (2011: 63,894 units)	-	-	5,488,236	5,488,236	8,994,951

16.2 Amounts outstanding as at the year end

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

Rupees

Arif Habib Investments Limited - Pension Fund Manager					
Remuneration payable	96,649	151,313	109,755	357,717	265,823
Sales load payable	59,731	152,924	101,443	314,098	30,875
Investment of 300,000 units as seed capital in each sub-fund (2011: 300,000)	35,051,010	44,649,000	46,593,000	126,293,010	112,992,000
Habib Metropolitan Bank Limited					
Remuneration payable	10,663	16,693	12,108	39,464	-
Balances with banks	4,059,500	1,305,611	504,437	5,869,548	16,737,023
Mark-up receivable	11,917	10,959	12,787	35,663	56,444
MCB Financial Services Limited - Former Trustee					
Remuneration payable	-	-	-	-	34,366
Directors and officers					
Investment in PPF Equity sub - fund 18,804 units (2011: 128,529 units)	2,197,052	-	-	2,197,052	13,067,500
Investment in PPF Debt sub - fund 26,094 units (2011: 124,206 units)	-	3,883,519	-	3,883,519	16,667,215
Investment in PPF Money Market sub - fund 30,002 units (2011: 87,138 units)	-	-	4,659,571	4,659,571	12,267,229

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

17. FINANCIAL RISK MANAGEMENT

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

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

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

17.1 Market risk

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

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

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

17.1.1 Currency risk

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

17.1.2 Interest rate risk

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

Sensitivity analysis for variable rate instruments

a) As at June 30, 2012, 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, 2012 and net income for the year then ended would have been higher / lower by Rs. 0.025 million (2011: Rs. 0.115 million).

- Government Ijarah Sukuks which are classified as 'available for sale', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in rates announced by Reuters on June 30, 2012, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.006 million (2011: nil).

b) Money Market Sub-Fund holds Market Treasury Bills and Debt Sub-Fund holds Pakistan Investment Bonds and Market Treasury Bills which are classified as 'available for sale' and 'at fair value through profit or loss', exposing the Sub-Funds to interest rate risk. In case of 100 basis points increase / decrease in rates announced by Financial Markets Association of Pakistan on June 30, 2012, 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. 0.470 million (2011: Rs. 0.620 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, 2012 and net income for the year then ended would have been higher / lower by Rs. 0.059 million (2011: Rs. 0.013 million).

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

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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

On-balance sheet financial instruments

Financial assets

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

Financial liabilities

Payable against redemption of units	479,358	-	-	-	185,414	-	-	-	182,136	-	-	111,808
Payable to the Pension Fund Manager	357,717	-	-	-	96,649	-	-	-	151,313	-	-	109,755
Payable to the Trustee	39,464	-	-	-	10,663	-	-	-	16,693	-	-	12,108
Annual fee payable to the Securities and Exchange Commission of Pakistan	73,591	-	-	-	19,738	-	-	-	30,512	-	-	23,341
Payable to auditors	250,203	-	-	-	67,446	-	-	-	103,295	-	-	79,462
Accrued and other liabilities	1,415,218	-	-	-	1,083,788	-	-	-	195,307	-	-	136,123
	2,615,551	-	-	-	1,463,698	-	-	-	679,256	-	-	472,597
On-balance sheet gap	285,889,737	4,059,500	-	-	70,167,346	56,334,143	25,120,037	30,262,301	12,874,661	81,006,244	-	6,065,505

Off-balance sheet financial instruments

Off-balance sheet gap

Total interest rate sensitivity gap

	285,889,737	4,059,500	-	-	70,167,346	56,334,143	25,120,037	30,262,301	12,874,661	81,006,244	-	6,065,505
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Cumulative interest rate sensitivity gap

	4,059,500	4,059,500	4,059,500	74,226,846	56,334,143	81,454,180	111,716,481	124,591,142	81,006,244	81,006,244	81,006,244	87,071,749
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There is no off-balance sheet financial instrument that exists as at the year ended June 30, 2012.

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Total	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND				PPF MONEY MARKET SUB-FUND				
	June 30, 2011												
	Exposed to yield / interest rate risk				Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk				Exposed to yield / interest rate risk			
	Up to three months	More than three months and up to one year	More than one year	Up to three months		More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	

Rupees

On-balance sheet financial instruments

Financial assets

Balances with banks	17,176,249	4,097,912	-	-	-	1,026,263	-	-	-	12,052,074	-	-	-
Investments	197,493,562	-	-	-	54,967,501	31,183,483	7,656,250	46,374,614	-	57,311,714	-	-	-
Dividend receivable	282,251	-	-	-	282,251	-	-	-	-	-	-	-	-
Interest receivable	1,693,431	-	-	-	11,935	-	-	-	1,670,293	-	-	-	11,203
Deposits and other receivables	10,653,186	-	-	-	2,329,814	-	-	-	5,443,119	-	-	-	2,880,253
	227,298,679	4,097,912	-	-	57,591,501	32,209,746	7,656,250	46,374,614	7,113,412	69,363,788	-	-	2,891,456

Financial liabilities

Payable against redemption of units	5,871,119	-	-	-	473,443	-	-	-	2,523,056	-	-	-	2,874,620
Payable against purchase of investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Payable to the Pension Fund Manager	265,823	-	-	-	75,533	-	-	-	105,956	-	-	-	84,334
Payable to the Trustee	34,366	-	-	-	9,765	-	-	-	13,698	-	-	-	10,903
Annual fee payable to the Securities and Exchange Commission of Pakistan	64,880	-	-	-	19,082	-	-	-	25,266	-	-	-	20,532
Payable to auditors	225,500	-	-	-	66,890	-	-	-	87,606	-	-	-	71,004
Accrued and other liabilities	186,200	-	-	-	44,852	-	-	-	88,690	-	-	-	52,658
	6,647,888	-	-	-	689,565	-	-	-	2,844,272	-	-	-	3,114,051

On-balance sheet gap	220,650,791	4,097,912	-	-	56,901,936	32,209,746	7,656,250	46,374,614	4,269,140	69,363,788	-	-	(222,595)
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Off-balance sheet financial instruments

Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-
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Total interest rate sensitivity gap

Total interest rate sensitivity gap	220,650,791	4,097,912	-	-	56,901,936	32,209,746	7,656,250	46,374,614	4,269,140	69,363,788	-	-	(222,595)
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Cumulative interest rate sensitivity gap

Cumulative interest rate sensitivity gap	4,097,912	4,097,912	4,097,912	60,999,848	32,209,746	39,865,996	86,240,610	90,509,750	69,363,788	69,363,788	69,363,788	69,141,193	69,141,193
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There is no off-balance sheet financial instrument that exists as at the year ended June 30, 2011.

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

17.1.3 Price risk

Equity Sub-fund

Price risk is a risk that the value of financial instruments may fluctuate as a result of changes in market price. The Equity Sub-Fund is exposed to equity price risk because of investments held by the Equity Sub-Fund and classified on the balance sheet as 'available for sale' and 'at fair value through profit or loss'. To manage its price risk arising from investment in equity securities, the Equity Sub-Fund's investment policy limits investments in listed shares of one company to not more than 5% of its net assets. Moreover, the sector limits have been restricted to 30% of the net assets of the Sub-Fund and investment in listed securities of a particular company have also been restricted to 5% of paid-up capital of investee company.

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, the net assets relating to the Equity Sub-Fund and total net assets of the Fund would increase / decrease by Rs. 2.904 million (2011: Rs. 2.618 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, 2012 is not necessarily indicative of the effect on the Sub-Fund's net assets of future movements in the level of KSE 100 index.

Debt Sub-fund

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

In case of decrease in price of TFCs as a result of 1% increase in effective yield as on June 30, 2012, the net assets relating to the Debt Sub-Fund and total net assets of the Fund would decrease by Rs. 0.236 million as a result of gains / losses on TFCs classified as available for sale and at fair value through profit or loss. In case of increase in price of TFCs as a result of 1% decrease in effective yield as on June 30, 2012, the net assets relating to the Debt Sub-Fund and total net assets of the Fund would increase by Rs. 0.248 million as a result of gains / losses on TFCs classified as available for sale and at fair value through profit or loss.

The analysis is based on the assumption that the price had increased / decreased as a result of decrease / increase in effective yield by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the effective yield. The composition of the Sub-Fund's investment portfolio is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 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, 2012 and June 30, 2011 is the carrying amounts of following financial assets.

	-----As at June 30, 2012-----				As at June 30, 2011
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	-----Rupees-----				
Balances with banks	4,059,500	1,315,430	513,908	5,888,838	17,176,249
Investments	63,392,913	110,401,051	80,492,336	254,286,300	197,493,562
Dividend receivable	661,029	-	-	661,029	282,251
Interest receivable	11,917	1,860,718	12,787	1,885,422	1,693,431
Deposits and other receivables	7,565,185	11,693,199	6,525,315	25,783,699	10,653,186
	75,690,544	125,270,398	87,544,346	288,505,288	227,298,679

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

Bank balances by rating category

	Rating Agency	Rating Long-term / Short-term	2012	2011
			-----Rupees-----	
Bank Al-Habib Limited	PACRA	AA+ / A1+	19,290	439,226
Habib Metropolitan Bank Limited	PACRA	AA+ / A1+	5,869,548	16,737,023

Term Finance Certificates by rating category

	Rating Agency	Rating	2012	2011
AA	PACRA		24.64%	44.24%
AA-	PACRA		22.72%	40.12%
A+	PACRA		0.00%	15.64%
Unrated	-		52.64%	0.00%

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

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Concentration of credit risk

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

17.3 Liquidity risk

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

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

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

Rupees

Liabilities

Payable against redemption of units	479,358	185,414	-	-	182,136	-	-	111,808	-	-
Payable to the Pension Fund Manager	357,717	96,649	-	-	151,313	-	-	109,755	-	-
Payable to the Trustee	39,464	10,663	-	-	16,693	-	-	12,108	-	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	73,591	19,738	-	-	30,512	-	-	23,341	-	-
Payable to auditors	250,203	67,446	-	-	103,295	-	-	79,462	-	-
Accrued and other liabilities	1,415,218	1,083,788	-	-	195,307	-	-	136,123	-	-
	<u>2,615,551</u>	<u>1,463,698</u>	-	-	<u>679,256</u>	-	-	<u>472,597</u>	-	-

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

Rupees

Liabilities

Payable against purchase of investments	5,871,119	473,443	-	-	2,523,056	-	-	2,874,620	-	-
Payable to the Pension Fund Manager	265,823	75,533	-	-	105,956	-	-	84,334	-	-
Payable to the Trustee	34,366	9,765	-	-	13,698	-	-	10,903	-	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	64,880	19,082	-	-	25,266	-	-	20,532	-	-
Payable to auditors	225,500	66,890	-	-	87,606	-	-	71,004	-	-
Accrued and other liabilities	186,200	44,852	-	-	88,690	-	-	52,658	-	-
	<u>6,647,888</u>	<u>689,565</u>	-	-	<u>2,844,272</u>	-	-	<u>3,114,051</u>	-	-

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Financial instruments by category

	PPF EQUITY SUB-FUND				PPF DEBT SUB-FUND				PPF MONEY MARKET SUB-FUND			
	June 30, 2011				June 30, 2011				June 30, 2011			
	Loans and receivables	At fair value through profit or loss	Available for sale	Sub-total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub-total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub-total
Financial assets												
Balances with banks	4,097,912	-	-	4,097,912	1,026,263	-	-	1,026,263	12,052,074	-	-	12,052,074
Investments	-	54,967,501	-	54,967,501	-	-	85,214,347	85,214,347	-	57,311,714	-	57,311,714
Dividend receivable	282,251	-	-	282,251	-	-	-	-	-	-	-	-
Interest receivable	11,935	-	-	11,935	1,670,293	-	-	1,670,293	11,203	-	-	11,203
Deposits and other receivables	2,329,814	-	-	2,329,814	5,443,119	-	-	5,443,119	2,880,253	-	-	2,880,253
Total	6,721,912	54,967,501	-	61,689,413	8,139,675	-	85,214,347	93,354,022	14,943,530	-	57,311,714	72,255,244
	----- Rupees -----											
Financial liabilities												
Payable against redemption of units	5,871,119	-	473,443	473,443	-	-	2,523,056	2,523,056	-	-	2,874,620	2,874,620
Payable to the Pension Fund Manager	265,823	-	75,533	75,533	-	-	105,956	105,956	-	84,334	-	84,334
Payable to the Trustee	34,366	-	9,765	9,765	-	-	13,698	13,698	-	10,903	-	10,903
Annual fee payable to the Securities and Exchange Commission of Pakistan	64,880	-	19,082	19,082	-	-	25,266	25,266	-	20,532	-	20,532
Payable to auditors	225,500	-	66,890	66,890	-	-	87,606	87,606	-	71,004	-	71,004
Accrued and other liabilities	186,200	-	44,852	44,852	-	-	88,690	88,690	-	52,658	-	52,658
Total	6,647,888	-	689,565	689,565	-	-	2,844,272	2,844,272	-	3,114,051	-	3,114,051
	----- Rupees -----											

PAKISTAN PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

17.5 Fair value of financial assets and liabilities

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

17.5.1 Fair value hierarchy

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

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

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

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

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

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

----- As at June 30, 2011 -----

Total	PPF EQUITY SUB-FUND			PPF DEBT SUB-FUND			PPF MONEY MARKET SUB-FUND		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Rupees									
Investment in securities -									
At fair value through									
profit or loss	-	-	-	-	-	-	-	-	-
Available for sale	197,493,562	54,967,501	-	76,715,781	8,498,566	-	57,311,714	-	-
	197,493,562	54,967,501	-	76,715,781	8,498,566	-	57,311,714	-	-

18. CAPITAL RISK MANAGEMENT

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

Capital includes 300,000 units each relating to core investors of the three sub-funds of the Fund. These units were issued as initial subscription in the form of the seed capital subscribed up to June 27, 2007 with the restriction that these units are not redeemable or transferable for a period of three years from the date of subscription.

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

PAKISTAN PENSION FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on **August 15, 2012**.

21. SIGNIFICANT EVENTS AFTER THE YEAR END

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

22. GENERAL

Figures have been rounded off to the nearest Rupee.

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

Chief Executive Officer

Director