

Annual Report  
2015



PAKISTAN

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# ISLAMIC PENSION FUND

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

AM2 Plus by PACRA

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

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

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

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

### **ECONOMY AND MONEY MARKET OVERVIEW**

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

As oil prices stood around \$63 per barrels at the end of June, 2015 in the international market, the Brent crude has nearly halved in price since its peak of around \$114 a barrel touched in June, 2014. Hence, on the heels of stable food prices and cut in fuel prices in the domestic market, Consumer Price Inflation averaged around 4.56% in FY15 as opposed to the average inflation of 8.6% in FY14.

While the country's current account deficit summed to \$2.28 billion at the end of FY15 as opposed to deficit of \$ 3.13 billion in FY14. With trade deficit largely unchanged compared to the previous year, improvement in the current account balance came from growth in remittances.

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

At the same time, financial account registered a surplus of \$ 4.52 billion as compared to a surplus of \$ 5.55 billion recorded during the last year. This is mainly due to lower Direct Investments and Portfolio investments in the country.

The country's FX reserves got an impetus from multilateral and bilateral disbursements, successful continuation of IMF program, privatization proceeds, Sukuk auction and lower oil bill. The reserves stood at around \$ 18.7 billion at the end of June, increased by around \$4 billion in FY15.

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

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

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

M2 has expanded by 12.3 percent during FY15 (till June 26, 2015) as opposed to 11.43% in FY14 with stable contribution from NFA. At the same time, the net borrowing from the banking system increased by Rs 1,001 billion as opposed to Rs 373 billion during the previous year.

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

### **EQUITIES MARKET OVERVIEW**

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

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

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

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

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

### FUND PERFORMANCE

#### Equity Fund

During the period under review, the Equity sub-fund generated a return of 39.53% while the KSE-100 posted a return of 16.01%. The sub-fund changed its overall equity and sector allocations many times during the period in response to varying investment scenarios and to manage risk. Equity allocation at the end of the period was 87.9% as compared to beginning allocation of 86.4%. The sub-fund decreased exposure from Cement, Oil & Gas (Exploration, Refineries and Oil Marketing Companies) and Generation & Distribution sectors while exposure towards Fertilizer and Paper & Board sectors was increased.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 232.69 million as compared to Rs. 133.29 million as at June 30, 2014 registering an increase of 74.57%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 382.19 as compared to opening NAV of Rs. 273.92 per unit as at June 30, 2014 registering an increase of Rs. 108.27 per unit.

#### Debt Fund

The debt sub-fund generated an annualized return of 4.76% during the period under review. The sub-funds exposure towards GoP Ijarah Sukuk decreased marginally to 90.3% from 90.5%.

The Net Assets of the Fund as at June 30, 2015 stood at Rs.138.65 million as compared to Rs. 118.91 million as at June 30, 2014 registering an increase of 16.60%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 178.16 as compared to opening NAV of Rs. 170.07 per unit as at June 30, 2014 registering an increase of Rs. 8.09 per unit.

#### Money Market Fund

The money market sub-fund generated an annualized return of 4.80% during the period under review. Fund's exposure towards GoP Ijara Sukuk was increased to 94.5% from 81.3% during the period.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 67.51 million as compared to Rs. 69.06 million as at June 30, 2014 registering a decrease of 2.24%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 163.82 as compared to opening NAV of Rs. 156.31 per unit as at June 30, 2014 registering an increase of Rs. 7.51 per unit.

### FUTURE OUTLOOK

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

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

#### Acknowledgment

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

For and on behalf of the board



Yasir Qadri  
Chief Executive Officer  
Karachi: August 07, 2015

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

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## **Fund Type and Category**

Pakistan Islamic pension fund (PIPF) is an open-end shariah complaint voluntary pension scheme.

## **Investment Objective:**

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

## **Investment Strategy:**

PIPF is a flexible savings cum investments plan under the voluntary pension system which facilitates all individuals who are Pakistani nationals, to save for their retirement in a systematic way, and allows special tax rebate on the contributions under this system. The investors have a choice between various allocation schemes that PIPF offers, each of which is invested in different proportions in the three sun funds: Equity, debts and Money markets. Equity sub fund invests up to 90% of its assets in equity securities. Sector/stock selection is done on the basis of fundamental outlook and DCF valuations and meeting shariah compliance criteria. Debt sub fund invests in Sukuk and other shariah complaint debt instruments of duration of less than 5 years. Money market sub fund invests in short dated shariah complaint money market instruments.

## **Manager's Review**

### **Equity Sub- Fund**

During the year, equity sub- fund generated a return of 39.53% as against KMI-30 index return of 20.10% As of end-June 2015, 54.1% was exposed in Oil and Gas, Cement, Fertilizers and Paper and Board.

Sector-wise, the equity sub-fund decreased its exposure in oil and gas from 30% at the beginning of the year to 24.1% by end-June 2015 out of which 13.8% was exposed to exploration companies while the rest pertained to oil marketing companies. Exposure in cash was also reduced from 11.7% at the beginning of the year to 10.7% at year-end.

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

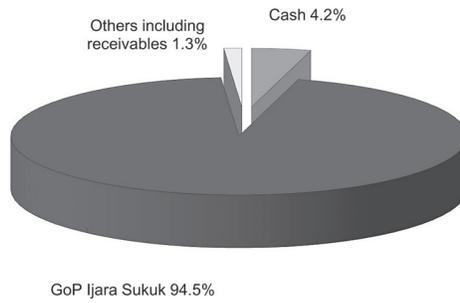
The money market sub-fund made an annualized return of 4.80% during the year. The sub fund increased its exposure in GoP Ijarah Sukuk (GIS) to around 94.5% by end-June 2015 as against 81.3% at the beginning of the year. The exposure towards cash and bank deposits declined from 17.5% at the beginning to 4.2% by year end. The net assets of the sub-fund decreased to around Rs 67.51 million by end-June 2015 as against Rs 69.06 million at the beginning of the year.

### **Debt Sub-fund**

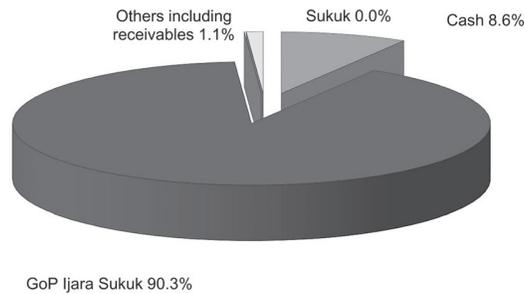
The debt sub-fund generated an annualized return of 4.76% during the year. The sub-fund was largely invested in GoP Ijarah Sukuk (GIS) due to its attractive risk-return profile and capital gains potential. However, the sub-fund marginally reduced its exposure to around 90.3% in GoP Ijarah Sukuk as of end-June 2015. The net assets of the sub- fund increased to Rs 138.65 million as against Rs. 118.91 million at the beginning of the year.

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

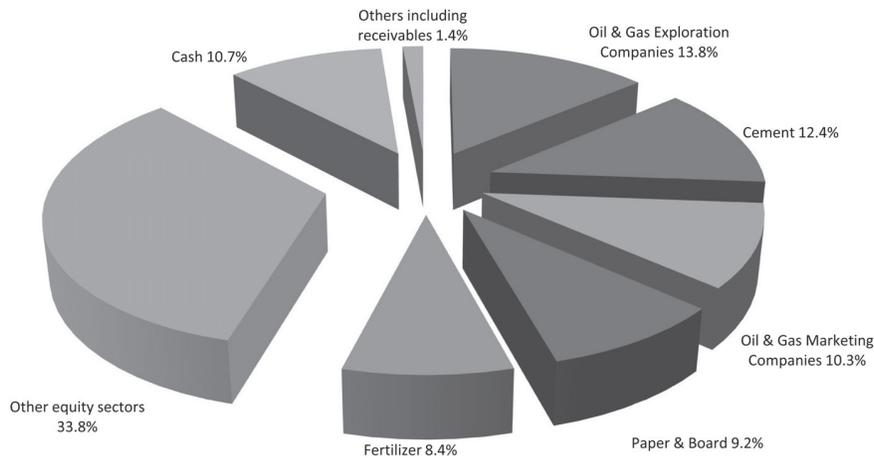
## Asset Allocation (MM sub-fund) as on June 30, 2015 (% of Total Assets)



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



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



Muhammad Asim, CFA  
Fund Manager

Karachi: August 07, 2015

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

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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



## TRUSTEE REPORT TO THE PARTICIPANTS

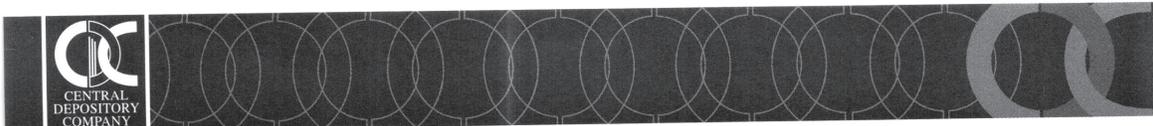
### PAKISTAN ISLAMIC PENSION FUND

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

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

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

Karachi: October 1, 2015



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



## HABIBMETRO

### TRUSTEE REPORT TO THE PARTICIPANTS

#### PAKISTAN ISLAMIC PENSION FUND

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

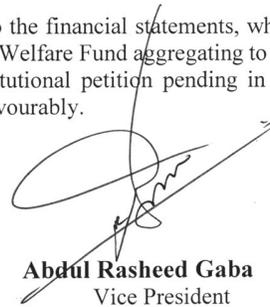
Pakistan Islamic Pension Fund was established under a Trust Deed dated September 5, 2007 executed between Arif Habib Investments Limited, as the Pension Fund Manager and MCB Financial Services Limited (MCBFSL), as the Trustee.

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

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

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

For the purpose of information, we draw attention to note 7.1 to the financial statements, which explains the matter with respect to the contribution for Workers' Welfare Fund aggregating to Rs. 1.295 million. In this regard, the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favourably.



**Abdul Rasheed Gaba**  
Vice President

Karachi: September 18, 2015

Habib Metropolitan Bank Ltd.  
(Subsidiary of Habib Bank AG Zurich)

Treasury Division: 8th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi-Pakistan  
Tel: (92 21) 3263 3311-30 | Fax: (92 21) 3227 4768, 3263 0495  
[www.habibmetro.com](http://www.habibmetro.com)

## REPORT OF THE SHARIAH ADVISOR FOR THE YEAR ENDED JUNE 30, 2015

Alhamdulillah, the year under review was fifth full year of operations of Pakistan Islamic Pension Fund (the Fund). We, the Shariah Advisory Board of the Fund, are issuing this report in accordance with the clause 4.19 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s MCB Arif Habib Savings and Investments limited (MCBAH), the management company of the fund, to establish and maintain a system of internal controls to ensure compliance with Shariah guidelines. Our responsibility is to express an opinion, based on our review of the representation made by the management, to the extent where such compliance can be objectively verified.

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

For Debt & Money Market Sub Funds, we have prescribed a criteria and procedures to be followed in ensuring Shariah compliance in every investment.

As part of our mandate as Shariah Advisor, we have reviewed the following, during the period;

- The modes of investment of the Fund's property and its compliance with the Shariah guidelines.
- Shariah compliance of new investment avenues proposed by MCBAH.

In the light of the above scope, we hereby certify that all the provisions of the scheme and investments made by the Fund (including all three sub funds) for the period ended 30<sup>th</sup> June 2015 are in compliance with the Shariah principles.

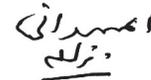
The pension fund manager has been directed to set aside as charity, amount earned as interest from conventional banks, In addition, there are investments made by the fund where investee companies have earned a part of their income from non-complaint sources (e.g. interest income). In such cases, the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

During the year an amount of Rupees 126,908 was transferred to the charity account. The total amount of charity payable as at June 30, 2015 amounts to Rs. 126,908

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

Karachi

Dated: August 07<sup>th</sup>, 2015



Dr Ejaz Samadani

For and on behalf of Shariah Advisory Board

# REPORT OF THE SHARIAH ADVISOR FOR THE YEAR ENDED JUNE 30, 2015

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Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
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## **Independent assurance report to the unit holders of the Fund in respect of the Fund's compliance with the Shariah rules and principles**

We have performed an independent assurance engagement of Pakistan Islamic Pension Fund (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Advisor of the Fund during the year ended 30 June 2015.

### **2. Management's responsibility for Shariah compliance**

It is the responsibility of the management of the Fund to ensure that the financial arrangements, contracts, products and transactions entered into by the Fund are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles as determined by the Shariah Advisor. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

### **3. Our responsibility**

3.1. Our responsibility is to express an opinion, based on the procedures performed on the Fund's financial arrangements, contracts and transactions having Shariah implications, on a test basis whether such financial arrangements, contracts and transactions, having Shariah implications, are in line with the Shariah rules and principles as prescribed by Shariah Advisor of the Fund.

3.2. The "Assurance Procedures" selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with the Shariah rules and principles. In making those risk assessments, we considered internal controls relevant to the Fund's compliance with the Shariah rules and principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

3.3. We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

### **4. Framework**

4.1. We have planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) "Assurance Engagements other than Audits or Reviews of Historical Financial information". This Standard requires that we comply with ethical

# SHARIAH COMPLIANCE AUDITORS' REPORT TO THE PENSION FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015

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requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Advisor.

## 5. Our opinion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah rules and principles as determined by Shariah Advisor of the Fund during the year ended 30 June 2015.

*Ernst & Young F&S Global Services*  
Chartered Accountants

Karachi

Date: 07 August 2015

# SHARIAH COMPLIANCE AUDITORS' REPORT TO THE PENSION FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015



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

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ey.com/pk

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

We have audited the annexed financial statements comprising:

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

of **Pakistan Islamic Pension Fund** (the Fund) as at **30 June 2015** and for the year ended **30 June 2015** together with the notes forming part thereof for the year then ended.

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

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

In our opinion:

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

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

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

**Emphasis of matter**

We draw attention to note 7.1 to the accompanying financial statements which explains the matter with respect to the contribution for Workers' Welfare Fund amounting to Rs.1.295 million for which no provision has been made in the financial statements.

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

**Chartered Accountants**

**Audit Engagement Partner: Shabbir Yunus**

**Date: 07 August 2015**

**Karachi**

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

		2015				
		PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	2014
Note		(Rupees)				
<b>Assets</b>						
	Balances with banks	25,362,660	12,027,202	2,869,742	40,259,604	38,618,632
	Investments - (as per Statement of Investment by category)	207,934,440	126,435,240	64,533,850	398,903,530	287,355,221
	Dividend receivable	581,473	-	-	581,473	-
	Profit receivable	4,395	1,376,353	750,790	2,131,538	2,134,872
	Deposits and other receivables	2,735,209	210,000	110,000	3,055,209	3,006,371
	<b>Total assets</b>	<b>236,618,177</b>	<b>140,048,795</b>	<b>68,264,382</b>	<b>444,931,354</b>	<b>331,115,096</b>
<b>Liabilities</b>						
	Payable to Pension Fund Manager	375,086	224,768	111,214	711,068	435,774
	Payable to Central Depository Company Limited - Trustee	28,043	16,786	8,308	53,137	46,198
	Fee payable to the Securities and Exchange Commission of Pakistan - annual fee	58,729	41,963	22,625	123,317	85,363
	Payable against purchase of investments	-	-	-	-	6,680,310
	Accrued expenses and other liabilities	3,467,933	1,113,361	614,191	5,195,485	2,610,360
	<b>Total liabilities</b>	<b>3,929,791</b>	<b>1,396,878</b>	<b>756,338</b>	<b>6,083,007</b>	<b>9,858,005</b>
	<b>Net assets</b>	<b>232,688,386</b>	<b>138,651,917</b>	<b>67,508,044</b>	<b>438,848,347</b>	<b>321,257,091</b>
	<b>Contingencies and commitments</b>					
	<b>Participants Sub-Funds</b> (as per Statement of Movement in Participants' Sub-Funds)	<b>232,688,386</b>	<b>138,651,917</b>	<b>67,508,044</b>		
	<b>Number of units in issue</b> (as per statement attached)	<b>608,837</b>	<b>778,247</b>	<b>412,078</b>		
	<b>Net assets value per unit (Rupees)</b>	<b>382.19</b>	<b>178.16</b>	<b>163.82</b>		

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

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

  
Chief Executive Officer

  
Director

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

		2015				
		PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF MoneyMarket Sub-Fund	Total	2014
Note		(Rupees)				
<b>Income</b>						
Capital gain / (loss) on sale of investments classified as:						
	'available-for-sale'	4,725,967	-	-	4,725,967	6,070,902
	'at fair value through profit or loss' - held-for-trading	32,464,881	-	(11,300)	32,453,581	17,488,219
Dividend income on shares classified as:						
	'available-for-sale'	2,976,643	-	-	2,976,643	69,808
	'at fair value through profit or loss' - held-for-trading	5,911,013	-	-	5,911,013	4,993,171
Income from Government Securities						
	'at fair value through profit or loss' - held-for-trading	-	10,657,430	5,598,699	16,256,129	10,078,042
Income from sukuk certificates						
	'available-for-sale'	-	138,887	-	138,887	1,585,009
Profit on bank and other deposits						
		198,965	321,368	315,883	836,216	1,759,730
Unrealised gain on revaluation of investments						
	classified as 'at fair value through profit or loss' - held-for-trading - net	9,250,156	(2,052,096)	(1,065,421)	6,132,639	18,556,299
Other income						
		-	-	-	-	115,750
<b>Total income</b>		<b>55,527,625</b>	<b>9,065,589</b>	<b>4,837,861</b>	<b>69,431,075</b>	<b>60,716,930</b>
<b>Expenses</b>						
	Remuneration of Pension Fund Manager	2,642,776	1,888,342	1,018,092	5,549,210	3,841,317
	Sales tax and Federal Excise Duty on remuneration of Pension Fund Manager	882,687	630,707	340,043	1,853,437	1,327,559
	Remuneration of Central Depository Company Limited - Trustee	218,993	149,025	78,778	446,796	-
	Remuneration of Habib Metropolitan Bank Limited - Trustee	55,043	48,389	27,995	131,427	486,509
	Annual fee - Securities and Exchange Commission of Pakistan (SECP)	58,728	41,963	22,624	123,315	85,362
	Auditors' remuneration	244,159	174,249	93,911	512,319	502,500
	Custody and settlement charges	343,119	19,858	-	362,977	243,075
	Securities transaction cost	669,743	5,068	5,107	679,918	632,752
	Legal and professional charges	52,607	31,734	15,659	100,000	-
	Impairment loss on available-for-sale investment	1,785,441	-	-	1,785,441	-
	Bank charges	4,480	5,459	17,138	27,076	14,311
	Donation and charity	126,908	-	-	126,908	79,036
	Others	4,017	2,576	1,281	7,874	-
<b>Total expenses</b>		<b>7,088,701</b>	<b>2,997,370</b>	<b>1,620,628</b>	<b>11,706,698</b>	<b>7,212,421</b>
<b>Net income from operating activities</b>		<b>48,438,924</b>	<b>6,068,219</b>	<b>3,217,233</b>	<b>57,724,377</b>	<b>53,504,509</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those redeemed						
	Provision for Workers' Welfare Fund	7,180,696	373,766	(59,229)	7,495,233	6,155,774
		(1,148,101)	(128,557)	(63,160)	(1,339,818)	(1,192,085)
<b>Net income for the year before taxation</b>		<b>54,471,519</b>	<b>6,313,428</b>	<b>3,094,844</b>	<b>63,879,792</b>	<b>58,468,198</b>
	Taxation	-	-	-	-	-
<b>Net income for the year after taxation</b>		<b>54,471,519</b>	<b>6,313,428</b>	<b>3,094,844</b>	<b>63,879,792</b>	<b>58,468,198</b>
<b>Earnings per unit</b>		<b>123.24</b>	<b>11.08</b>	<b>7.73</b>		

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

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

  
Chief Executive Officer

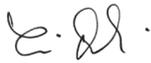
  
Director

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

	Note	2015			Total	2014
		PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF MoneyMarket Sub-Fund		
----- (Rupees) -----						
Net income for the year after taxation		54,471,519	6,313,428	3,094,844	63,879,791	58,468,198
<b>Other comprehensive income</b>						
Items to be reclassified to profit or loss in subsequent periods						
Net unrealised gain on revaluation of available-for-sale investments	14	11,101,465	-	-	11,101,465	106,800
Reclassification adjustment on sale / maturity of available-for-sale investments	14	(74,760)	-	-	(74,760)	(4,880,186)
		<b>11,026,705</b>	-	-	<b>11,026,705</b>	<b>(4,773,386)</b>
<b>Total comprehensive income for the year</b>		<b>65,498,224</b>	<b>6,313,428</b>	<b>3,094,844</b>	<b>74,906,496</b>	<b>53,694,812</b>

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

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

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

  
\_\_\_\_\_  
Director

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

	2015				2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
Note	----- (Rupees) -----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net income before taxation	54,471,519	6,313,428	3,094,844	63,879,791	58,468,198
<b>Adjustments for non cash items:</b>					
Capital gain / (loss) on sale of investments classified as:					
'available-for-sale'	(4,725,967)	-	-	(4,725,967)	(6,070,902)
'at fair value through profit or loss' - held-for-trading	(32,464,881)	-	11,300	(32,453,581)	(17,488,219)
Unrealised gain on revaluation of investments classified as 'at fair value through profit or loss' - held-for-trading - net	(9,250,156)	2,052,096	1,065,421	(6,132,639)	(18,556,299)
Impairment loss on available-for-sale' investment	1,785,441	-	-	1,785,441	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those redeemed	(7,180,696)	(373,766)	59,229	(7,495,233)	(6,155,774)
	(51,836,259)	1,678,330	1,135,950	(49,021,979)	(48,271,194)
<b>(Increase) / decrease in assets</b>					
Investments - net	(29,749,863)	(20,154,300)	(9,090,700)	(58,994,863)	(54,790,620)
Dividend receivable	(561,228)	1,387,694	726,933	1,553,399	115,972
Profit receivable	(4,395)	(1,376,353)	(750,790)	(2,131,538)	100,661
Deposits and other receivables	(28,838)	(10,000)	(10,000)	(48,838)	5,745,985
	(30,344,324)	(20,152,959)	(9,124,557)	(59,621,840)	(48,828,002)
<b>Increase / (decrease) in liabilities</b>					
Payable to Pension Fund Manager	193,642	66,840	14,812	275,294	131,744
Payable to Central Depository Company Limited - Trustee	8,808	43	(1,912)	6,939	12,281
Fee payable to the Securities and Exchange Commission of Pakistan - annual fee	24,675	10,855	2,424	37,954	24,383
Payable against purchase of investments	(6,680,310)	-	-	(6,680,310)	6,680,310
Accrued expenses and other liabilities	1,810,008	519,675	255,442	2,585,125	(359,809)
	(4,643,177)	597,413	270,766	(3,774,998)	6,488,909
<b>Net cash used in operating activities</b>	<b>(32,352,241)</b>	<b>(11,563,788)</b>	<b>(4,622,997)</b>	<b>(48,539,026)</b>	<b>(32,142,089)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Receipt of contribution	48,952,391	36,695,123	7,585,659	93,233,173	69,952,075
Payment against redemption of units	(7,870,286)	(22,888,718)	(12,294,171)	(43,053,175)	(14,545,156)
<b>Net cash generated from / (used in) financing activities</b>	<b>41,082,105</b>	<b>13,806,405</b>	<b>(4,708,512)</b>	<b>50,179,998</b>	<b>55,406,919</b>
<b>Net increase / (decrease) in cash and cash equivalent during the year</b>	<b>8,729,864</b>	<b>2,242,617</b>	<b>(9,331,509)</b>	<b>1,640,972</b>	<b>23,264,830</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>16,632,796</b>	<b>9,784,585</b>	<b>12,201,251</b>	<b>38,618,632</b>	<b>15,353,802</b>
<b>Cash and cash equivalent at end of the year</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
	<b>25,362,660</b>	<b>12,027,202</b>	<b>2,869,742</b>	<b>40,259,604</b>	<b>38,618,632</b>

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

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

  
Chief Executive Officer

  
Director

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

	2015				2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	----- (Rupees) -----				
Net assets at beginning of the year	133,288,753	118,905,850	69,062,483	321,257,086	218,311,134
Amount received on issue of units	48,952,391	36,695,123	7,585,659	93,233,173	69,952,075
Amount paid on redemption of units	(7,870,286)	(22,888,718)	(12,294,171)	(43,053,175)	(14,545,156)
	41,082,105	13,806,405	(4,708,512)	50,179,998	55,406,919
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - amount					
- Amount representing (income) / loss and realised capital (gains) / losses	(7,180,696)	(373,766)	59,229	(7,495,233)	(6,155,774)
- Amount representing unrealised diminution / (appreciation) in fair value of investments	21,677,417	5,525,100	(1,675,398)	25,527,119	9,627,451
	14,496,721	5,151,334	(1,616,169)	18,031,886	3,471,677
Net unrealised gain / (loss) during the year in the market value of investments classified as available-for-sale	11,026,705	-	-	11,026,705	(4,773,386)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	(21,677,417)	(5,525,100)	1,675,398	(25,527,119)	(9,627,451)
Net income for the year after taxation	54,471,519	6,313,428	3,094,844	63,879,791	58,468,198
<b>Net assets at end of the year</b>	<b>232,688,386</b>	<b>138,651,917</b>	<b>67,508,044</b>	<b>438,848,347</b>	<b>321,257,091</b>

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

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

  
Chief Executive Officer

  
Director

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

	2015			Total	2014
	PIPF Equity Sub- Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub- Fund		
	----- (Rupees) -----				
<b>Investments 'at fair value through profit or loss' - held-for-trading</b>					
Listed equity securities	45,643,550	-	-	45,643,550	119,565,314
Government Ijarah Sukuks	-	126,435,240	64,533,850	190,969,090	164,852,907
	45,643,550	126,435,240	64,533,850	236,612,640	284,418,221
<b>'Available-for-sale investments'</b>					
Listed equity securities	162,255,810	-	-	162,255,810	2,937,000
Sukuk certificates	-	-	-	-	-
Investment in preference shares	35,080	-	-	35,080	-
	162,290,890	-	-	162,290,890	2,937,000
<b>Investments at market value</b>	<b>207,934,440</b>	<b>126,435,240</b>	<b>64,533,850</b>	<b>398,903,530</b>	<b>287,355,221</b>

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

  
 Chief Executive Officer

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

  
 Director

## STATEMENT OF INVESTMENT PORTFOLIO FOR THE YEAR ENDED JUNE 30, 2015

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

Name of the investee company						----- Balance as at June 30, 2015 -----			Market value as a % of net assets of the sub-fund	% of paid-up capital of the investee company
	As at July 01, 2014	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2015	Cost	Market value	Appreciation / (diminution)		
	(Number of shares)					(Rupees)			%	%
<b>Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise</b>										
<b>Oil and gas</b>										
Mari Petroleum Company Limited	-	8,900	-	8,500	400	136,939	187,440	50,501	0.08	0.0004
Pakistan Petroleum Limited	56,203	42,500	-	98,500	203	40,079	33,345	(6,734)	0.01	0.0000
Attock Petroleum Limited	4,600	9,300	-	13,900	-	-	-	-	-	-
Oil & Gas Development Company Limited	-	10,000	-	10,000	-	-	-	-	-	-
Pakistan Oilfields Limited	22,170	-	-	22,170	-	-	-	-	-	-
Pakistan State Oil Company Limited	26,074	18,000	-	44,011	63	22,752	24,305	1,553	0.01	0.0000
Shell Pakistan Limited	-	5,000	-	4,400	600	159,528	151,776	(7,752)	0.07	0.0006
National Refinery Limited	20,500	-	-	20,500	-	-	-	-	-	-
						<b>359,298</b>	<b>396,866</b>	<b>37,568</b>	<b>0.17</b>	
<b>Fertilizer</b>										
Engro Corporation Limited	-	52,000	-	47,000	5,000	1,066,691	1,484,000	417,309	0.64	0.0010
Fauji Fertilizer Bin Qasim Limited	-	113,000	-	113,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	30,000	-	28,000	2,000	237,000	298,840	61,840	0.13	0.0002
						<b>1,303,691</b>	<b>1,782,840</b>	<b>479,149</b>	<b>0.77</b>	
<b>Chemicals</b>										
Colgate - Palmolive (Pakistan) Limited	-	2,580	-	-	2,580	4,738,884	3,913,860	(825,024)	1.68	0.0054
<b>Construction and materials (cement)</b>										
Attock Cement Pakistan Limited	26,012	14,000	-	39,900	112	18,337	21,347	3,010	0.01	0.0001
Cherat Cement Company Limited	19,800	25,000	-	44,800	-	-	-	-	-	-
Fecto Cement Limited	-	-	-	-	-	-	-	-	-	-
Kohat Cement Limited	30,000	32,000	-	62,000	-	-	-	-	-	-
Lafarge Pakistan Cement Limited	-	-	-	-	-	-	-	-	-	-
Lucky Cement Limited	22,500	13,400	-	35,900	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	174,000	460,000	-	508,000	126,000	4,152,343	9,898,560	5,746,217	4.25	0.0239
						<b>4,170,680</b>	<b>9,919,907</b>	<b>5,749,227</b>	<b>4.26</b>	
<b>General industrials</b>										
Packages Limited	11,900	3,900	-	15,800	-	-	-	-	-	-
Thal Limited	20,000	12,000	-	11,100	20,900	4,962,977	5,965,487	1,002,510	2.56	0.0258
						<b>4,962,977</b>	<b>5,965,487</b>	<b>1,002,510</b>	<b>2.56</b>	
<b>Industrial engineering</b>										
Millat Tractors Limited	7,900	4,300	-	12,200	-	-	-	-	-	-
<b>Industrial transportation</b>										
Pakistan National Shipping Corporation Limited	-	62,000	-	62,000	-	-	-	-	-	-
<b>Automobile assembler</b>										
Pak Suzuki Motor Company Limited	25,200	18,500	-	35,600	8,100	2,892,671	3,530,871	638,200	1.52	0.0098
Indus Motors Company Limited	-	12,200	-	12,200	-	-	-	-	-	-
Sazgar Engineer Works Limited	54,500	-	-	54,500	-	-	-	-	-	-
						<b>2,892,671</b>	<b>3,530,871</b>	<b>638,200</b>	<b>1.52</b>	
<b>Sugar and allied industries</b>										
* Habib Sugar Mills Limited	-	51,000	-	51,000	-	-	-	-	-	-
<b>Leather and tanneries</b>										
Bata Pakistan Limited	2,260	-	-	-	2,260	7,313,360	8,437,574	1,124,214	3.63	0.0299

## STATEMENT OF INVESTMENT PORTFOLIO FOR THE YEAR ENDED JUNE 30, 2015

Name of the investee company						----- Balance as at June 30, 2015 -----			Market value as a % of net assets of the sub-fund	% of paid-up capital of the investee company
	As at July 01, 2014	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2015	Cost	Market value	Appreciation / (diminution)		
----- (Number of shares) -----					----- (Rupees) -----			%	%	
<b>Pharma and bio tech</b>										
Abbott Laboratories (Pakistan) Limited	3,500	-	-	3,500	-	-	-	-	-	-
Ferozsons Laboratories Limited	103	-	-	103	-	-	-	-	-	-
IBL Healthcare Limited	-	38,000	-	10,000	28,000	4,391,489	3,192,000	(1,199,489)	1.37	0.0936
						4,391,489	3,192,000	(1,199,489)	1.37	
<b>Power generation and distribution</b>										
* Hub Power Company Limited	170,485	45,000	-	196,500	18,985	1,168,733	1,776,333	607,600	0.76	0.0016
Kot Addu Power Co. Ltd.	187,000	147,500	-	334,500	-	-	-	-	-	-
						1,168,733	1,776,333	607,600	0.76	
<b>Glass and ceramics</b>										
Ghani Glass Limited	-	81,000	-	3,500	77,500	5,091,611	6,727,812	1,636,201	2.89	0.1043
Tariq Glass Industries Limited	-	79,500	-	79,500	-	-	-	-	-	-
						5,091,611	6,727,812	1,636,201	2.89	
<b>Banks</b>										
Meezan Bank Limited	-	1,000	-	1,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Total</b>						<b>36,393,394</b>	<b>45,643,550</b>	<b>9,250,156</b>	<b>19.62</b>	

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

\* This investment includes securities with fair value aggregating to Rs.9.36 million (2014: Rs.Nil) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

Total	
2015	2014
----- (Rupees) -----	
<u>45,643,550</u>	<u>119,565,314</u>

Market value

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

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

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

  
\_\_\_\_\_  
Director

## STATEMENT OF INVESTMENT PORTFOLIO FOR THE YEAR ENDED JUNE 30, 2015

### PIPF EQUITY SUB-FUND 'AVAILABLE-FOR-SALE' INVESTMENTS

#### LISTED EQUITY SECURITIES

Name of the investee company	(Number of shares)					Balance as at June 30, 2015			Market value as a % of net assets of the sub-fund	% of paid-up capital of the investee company
	As at July 01, 2014	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2015	Cost	Market value	Appreciation / (diminution)		
						(Rupees)			%	%
<b>Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise</b>										
<b>Automobile assembler</b>										
Hinopak Motors Limited	-	3,500	-	-	3,500	3,098,616	2,928,065	(170,551)	1.26	0.0282
Indus Motors Company Limited	-	10,500	-	5,000	5,500	5,777,159	6,869,500	1,092,341	2.95	0.0070
Pak Suzuki Motor Company Limited	-	7,000	-	3,000	4,000	1,498,025	1,743,640	245,615	0.75	0.0049
						<b>10,373,800</b>	<b>11,541,205</b>	<b>1,167,405</b>	<b>4.96</b>	
<b>Cable and electrical goods</b>										
Pak Elektron Limited	-	157,000	-	76,000	81,000	4,530,484	6,701,940	2,171,456	2.88	0.0208
<b>Oil and gas exploration companies</b>										
Pakistan Oilfields Limited	-	42,000	-	8,000	34,000	12,194,658	13,729,880	1,535,222	5.90	0.0144
Pakistan Petroleum Limited	-	114,000	-	-	114,000	19,721,943	18,725,640	(996,303)	8.05	0.0058
						<b>31,916,601</b>	<b>32,455,520</b>	<b>538,919</b>	<b>13.95</b>	
<b>Oil and gas marketing companies</b>										
Pakistan State Oil Company Limited	-	51,000	-	5,500	45,500	18,115,097	17,553,445	(561,652)	7.54	0.0167
Shell Pakistan Limited	-	26,000	-	-	26,000	5,780,003	6,576,960	796,957	2.83	0.0243
						<b>23,895,100</b>	<b>24,130,405</b>	<b>235,305</b>	<b>10.37</b>	
<b>Construction and materials (Cement)</b>										
Fauji Cement Company Limited.	-	230,000	-	-	230,000	7,185,292	8,020,100	834,808	3.45	0.0173
Maple Leaf Cement Factory Limited	-	60,000	-	-	60,000	3,120,588	4,713,600	1,593,012	2.03	0.0114
Pioneer Cement Limited	-	89,000	-	89,000	-	-	-	-	-	-
Lucky Cement Limited	-	13,000	-	-	13,000	5,889,307	6,755,060	865,753	2.90	0.0040
						<b>16,195,187</b>	<b>19,488,760</b>	<b>3,293,573</b>	<b>8.38</b>	
<b>Chemicals</b>										
ICI Pakistan Limited	-	19,000	-	-	19,000	7,592,221	8,148,530	556,309	3.50	0.0206
Linde Pakistan Limited	-	27,800	-	-	27,800	5,674,661	3,889,220	(1,785,441)	1.67	0.0110
						<b>13,266,882</b>	<b>12,037,750</b>	<b>(1,229,132)</b>	<b>5.17</b>	
<b>Fertilizer</b>										
Engro Corporation Limited	-	37,000	-	13,000	24,000	5,711,513	7,123,200	1,411,687	3.06	0.0046
Fauji Fertilizer Company Limited	-	189,000	-	115,800	73,200	10,038,736	10,937,544	898,808	4.70	0.0058
	-	238,000	-	238,000	-	-	-	-	-	-
						<b>15,750,249</b>	<b>18,060,744</b>	<b>2,310,495</b>	<b>7.76</b>	
<b>Pharma and bio tech</b>										
IBL Healthcare Limited	-	3,100	-	-	3,100	456,752	353,400	(103,352)	0.15	0.0104
<b>Glass and ceramics</b>										
Ghani Glass Limited	-	24,500	-	23,500	1,000	68,121	86,810	18,689	0.04	0.0008
Tariq Glass Industries Limited	-	120,000	-	-	120,000	6,938,844	7,018,800	79,956	3.02	0.1634
						<b>7,006,965</b>	<b>7,105,610</b>	<b>98,645</b>	<b>3.06</b>	
<b>Paper and board</b>										
Cherat Packaging Limited	-	30,000	-	-	30,000	6,159,240	5,659,800	(499,440)	2.43	0.1089
Packages Limited	-	27,500	-	300	27,200	16,065,337	16,158,976	93,639	6.94	0.0308
						<b>22,224,577</b>	<b>21,818,776</b>	<b>(405,801)</b>	<b>9.37</b>	

**STATEMENT OF INVESTMENT PORTFOLIO  
FOR THE YEAR ENDED JUNE 30, 2015**

Name of the investee company	(Number of shares)					Balance as at June 30, 2015			Market value as a % of net assets of the sub-fund	% of paid-up capital of the investee company
	As at July 01, 2014	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2015	Cost	Market value	Appreciation / (diminution)		
						----- (Rupees) -----			%	%
<b>Personal goods (textile)</b>										
* Treet Corporation Limited	-	25,000	-	25,000	-	-	-	-	-	-
<b>Power generation and distribution</b>										
Kot Addu Power Company Limited	-	40,000	-	40,000	-	-	-	-	-	-
** Hub Power Company Limited	50,000	76,500	-	35,000	91,500	7,291,149	8,561,700	1,270,551	3.68	0.0079
						<u>7,291,149</u>	<u>8,561,700</u>	<u>1,270,551</u>	<u>3.68</u>	
<b>Total</b>						<u>152,907,746</u>	<u>162,255,810</u>	<u>9,348,064</u>		

\* These have a face value of Rs.21.42 per share.

\*\* This investment includes securities with fair value aggregating to Rs.9.36 million (2014: Rs.Nil) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

	Total	
	2015	2014
	----- (Rupees) -----	
Listed equity securities - market value	162,255,810	2,937,000
Investment in preference shares ***	35,080	-
	<u>162,290,890</u>	<u>2,937,000</u>

\*\*\* These represent specie dividend at the rate of 87.7%, in the form of preference shares of Rs.10 each, received from Mari Petroleum Company Limited. These unlisted redeemable preference shares are a non-compliant security in accordance with the requirements of SECP Circular N0.36 of 2009.

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

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

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

  
\_\_\_\_\_  
Director

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

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

Name of Investments	Issue	Maturity	Face value			As at June 30, 2015			Market value as a % of net assets of the sub-fund	
			As at July 01, 2014	Purchases during the year	Sales / maturities during the year	As at June 30, 2015	Carrying value	Market value		Appreciation / (diminution)
----- (Rupees) -----										
<b>'At fair value through profit or loss' - held-for-trading</b>										
<b>Government Ijarah Sukuk (3 years)</b>										
GoP Ijarah sukuk XII	28-Jun-12	21-Nov-15	43,000,000	-	-	43,000,000	44,216,900	43,279,500	(937,400)	31.21%
GoP Ijarah sukuk X	2-Mar-12	21-Nov-15	600,000	9,000,000	-	9,600,000	9,692,760	9,681,600	(11,160)	6.98%
GoP Ijarah sukuk XIII	18-Sep-12	21-Nov-15	39,050,000	-	-	39,050,000	40,201,975	39,315,540	(886,435)	28.36%
GoP Ijarah sukuk IX	26-Dec-11	21-Nov-15	8,000,000	9,000,000	-	17,000,000	17,162,700	17,136,000	(26,700)	12.36%
GoP Ijarah sukuk XV	25-Jun-14	25-Jun-17	15,200,000	-	-	15,200,000	15,200,000	15,010,000	(190,000)	10.83%
GoP Ijarah sukuk XIV	28-Mar-13	28-Mar-16	-	2,000,000	-	2,000,000	2,013,000	2,012,600	(400)	1.45%
			<b>105,850,000</b>	<b>20,000,000</b>	<b>-</b>	<b>125,850,000</b>	<b>128,487,335</b>	<b>126,435,240</b>	<b>(2,052,095)</b>	

----- Total -----  
2015                      2014  
----- (Rupees) -----

Market value

126,435,240      108,333,036

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

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

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

  
\_\_\_\_\_  
Director

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

PIPF DEBT SUB-FUND  
SUKUK CERTIFICATES

Name of Investment	Issue Date	Number of Certificates				As at June 30, 2015			Market value as a percentage of net assets of the sub-fund	Market value as a percentage of total investments	Percentage in relation to the total size of the issue
		As at July 01, 2014	Purchases during the year	Sales / matured during the year	As at June 30, 2015	Cost	Market value	Appreciation / (diminution)			
----- (Rupees) -----											
<b>'Available-for-sale' investments'</b>											
Pak Elektron Limited - Sukuk (28-09-2007)	28-Sep-07	550	-	-	550	1,011,220	-	-	-	-	0.10%
Less: provision for impairment						(1,011,220)					
		550	-	-	550	-	-	-			

----- Total -----  
2015                      2014  
----- (Rupees) -----

Market value

-----  
-                                      -  
-----

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

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

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

  
\_\_\_\_\_  
Director

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

PIPF MONEY MARKET SUB-FUND  
GOVERNMENT IJARAH SUKUK

Name of Investments	Issue	Maturity	Face value				As at June 30, 2015			Market value as a % of net assets of the sub-fund
			As at July 01, 2014	Purchases during the year	Sales / maturities during the year	As at June 30, 2015	Carrying value	Market value	Appreciation / (diminution)	

'At fair value through profit or loss' - held-for-trading  
Government Ijarah Sukuk (3 years)

GoP Ijarah sukuk IX	26-Dec-11	21-Nov-15	7,000,000	1,000,000	1,000,000	7,000,000	7,083,500	7,056,000	(27,500)	10.45%
GoP Ijarah sukuk XII	28-Jun-12	21-Nov-15	29,400,000	-	-	29,400,000	30,232,020	29,591,100	(640,920)	43.83%
GoP Ijarah sukuk XIII	18-Sep-12	21-Nov-15	13,500,000	9,000,000	-	22,500,000	22,983,750	22,653,000	(330,750)	33.56%
GoP Ijarah sukuk XV	25-Jun-14	25-Jun-17	5,300,000	-	-	5,300,000	5,300,000	5,233,750	(66,250)	7.75%
			<b>55,200,000</b>	<b>10,000,000</b>	<b>1,000,000</b>	<b>64,200,000</b>	<b>65,599,270</b>	<b>64,533,850</b>	<b>(1,065,420)</b>	

----- Total -----

2015                      2014

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

Market value

**64,533,850**      56,519,871

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

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



Chief Executive Officer



Director

**CONTRIBUTION TABLE  
FOR THE YEAR ENDED JUNE 30, 2015**

Contributions net of front end fee	2015						Total	2014
	PIPF Equity Sub-Fund		PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund			
	Units	Rupees	Units	Rupees	Units	Rupees		
Opening balance	486,596	60,269,559	699,171	91,723,265	441,817	50,237,237	202,230,061	146,823,142
Individuals - issue of units	145,893	48,952,391	236,498	36,695,123	65,916	7,585,659	93,233,173	69,952,075
Individuals - Redemption of units	(23,652)	(7,870,286)	(157,422)	(22,888,718)	(95,655)	(12,294,171)	(43,053,175)	(14,545,156)
	122,241	41,082,105	79,076	13,806,405	(29,739)	(4,708,512)	50,179,998	55,406,919
<b>Closing balance</b>	<b>608,837</b>	<b>101,351,664</b>	<b>778,247</b>	<b>105,529,670</b>	<b>412,078</b>	<b>45,528,725</b>	<b>252,410,059</b>	<b>202,230,061</b>

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

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

  
Chief Executive Officer

  
Director

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

	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
	----- (Number of units) -----		
Total units outstanding at beginning of the year	486,596	699,171	441,817
Add: Units issued during the year	145,893	236,498	65,916
Less: Units redeemed during the year	(23,652)	(157,422)	(95,655)
<b>Total units in issue at the end of the year</b>	<b><u>608,837</u></b>	<b><u>778,247</u></b>	<b><u>412,078</u></b>

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

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

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

  
\_\_\_\_\_  
Director

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

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2015 ----- (Rupees)	June 30, 2014	% Change	June 30, 2015 ----- (Rupees)	June 30, 2014	% Change	June 30, 2015 ----- (Rupees)	June 30, 2014	% Change
Net income after taxation	54,471,519	45,190,138	20.54	6,313,428	8,832,009	(28.52)	3,094,844	4,446,051	(30.39)
Realised capital gains / (losses)	37,190,848	23,559,121	57.86	-	-	-	(11,300)	-	100.00
Unrealised gains / (losses)	20,276,861	11,685,763	73.52	(2,052,096)	1,697,528	(220.89)	(1,065,421)	399,622	(366.61)
Impairment loss on available-for-sale investment	(1,785,441)	-	100.00	-	-	-	-	-	-
Dividend income and profit income	9,086,621	5,173,501	75.64	11,117,685	8,135,224	36.66	5,914,582	5,177,035	14.25
Net assets value per unit	382.19	223.93	70.67	178.16	170.07	4.76	163.82	156.31	4.81
Earnings per unit	123.24	102.24	20.54	11.08	15.49	(28.52)	7.73	11.11	(30.39)
Transactions in securities									
Purchases	301,134,263	196,262,727	53.43	92,595,354	75,726,550	22.28	47,600,223	53,642,550	(11.26)
Sales	306,031,885	185,377,604	65.09	70,202,193	41,000,000	71.22	37,406,182	44,100,000	(15.18)
Total contribution received	48,952,391	23,135,697	111.59	36,695,123	35,309,893	3.92	7,585,659	11,506,485	(34.07)

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

PIPF Equity Sub-Fund		PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund	
Lowest Issue price	Highest Issue price	Lowest Issue price	Highest Issue price	Lowest Issue price	Highest Issue price
----- (Rupees) -----					
260.58	389.96	170.07	178.35	156.22	164.07

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

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

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

  
\_\_\_\_\_  
Director

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

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## 1. LEGAL STATUS AND NATURE OF BUSINESS

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Accounting convention

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

### 2.3 New Standards, Interpretations and Amendments

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

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

IAS 32 – Financial Instruments : Presentation – (Amendment)

– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)

– Recoverable Amount Disclosures for Non-Financial Assets

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

– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

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

### Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment – Definitions of vesting conditions

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

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

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

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

IAS 24 Related Party Disclosures - Key management personnel

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

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

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

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

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

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

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

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

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

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

**Standards**

IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018

**2.5 Critical accounting estimates and judgments**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Financial assets**

**3.1.1 Classification**

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

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

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### a) Investments at fair value profit or loss

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

### b) Loans and receivables

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

### c) Available-for-sale

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

### 3.1.2 Regular way contracts

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

### 3.1.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets 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) Government Ijarah Sukuks

The investment of the Debt Sub-Fund and Money Market Sub-Fund in Government Ijarah Sukuks are categorized as at fair value through profit or loss - held-for-trading and available-for-sale and are valued on the basis of broker average rates obtained from Mutual Funds Association of Pakistan (MUFAP).

#### b) Equity Securities

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

#### c) Debt Securities

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

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

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

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

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### 3.1.5 Impairment

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

During the year, provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 1 dated January 6, 2009 as amended by Circular No. 13 dated May 4, 2009 and Circular No. 33 dated October 24, 2012 and issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

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

### 3.1.6 Derecognition

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

### 3.1.7 Offsetting of financial assets and liabilities

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

### 3.1.8 Reclassification

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

### 3.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to 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 premeasured 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 date. The offer price represents the net asset value per unit of the sub-fund as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Pension Fund Manager. C410

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

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

### **3.7 Provisions**

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

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

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

### **3.9 Earnings per unit**

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

### **3.10 Taxation**

The income of Pakistan Pension Fund is exempt from tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Further, through Finance Act, 2011, effective from July 01, 2011, pension funds are included in the list of entities on which the provisions of section 113 regarding minimum tax shall not apply.

### **3.11 Revenue recognition**

- Realised capital gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking to market of investments classified as 'Financial assets at fair value through profit or loss' - held-for-trading are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.
- Profit on investment is recognised on an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.

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

Cash and cash equivalents comprise of balances with banks.

### **3.13 Foreign currency translation**

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

### **3.14 Functional and presentation currency**

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

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

	June 30, 2015			Total	June 30, 2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
----- (Rupees) -----					
<b>4. BALANCES WITH BANKS</b>					
Current accounts	18,926,952	-	-	18,926,952	7,529,705
Saving accounts	6,435,708	12,027,202	2,869,742	21,332,652	31,088,927
	<u>25,362,660</u>	<u>12,027,202</u>	<u>2,869,742</u>	<u>40,259,604</u>	<u>38,618,632</u>

Saving accounts carry a rate of return ranging from 3.33% to 5.62% (2014: 5.51% to 8.55%) per annum.

	June 30, 2015			Total	June 30, 2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
----- (Rupees) -----					
<b>5. DEPOSITS AND OTHER RECEIVABLES</b>					
Security deposits	2,701,000	200,000	100,000	3,001,000	3,001,000
Advance tax	24,209	-	-	-	5,371
Other receivable	10,000	10,000	10,000	30,000	-
	<u>2,735,209</u>	<u>210,000</u>	<u>110,000</u>	<u>3,031,000</u>	<u>3,006,371</u>

	June 30, 2015			Total	June 30, 2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
----- (Rupees) -----					
<b>6. ACCRUED EXPENSES AND OTHER LIABILITIES</b>					
Provision for federal excise duty on remuneration of Pension Fund Manager (note 6.1)	782,183	617,698	363,467	1,763,348	742,297
Donation / charity	126,908	-	-	126,908	79,035
Audit fee	198,769	143,001	78,230	420,000	338,000
Provision for Workers' Welfare Fund (note 6.2)	2,205,933	329,007	166,353	2,701,293	1,361,476
Withholding tax payable	41,042	23,655	6,141	70,838	1,054
Others	113,098	-	-	113,098	88,498
	<u>3,467,933</u>	<u>1,113,361</u>	<u>614,191</u>	<u>5,195,485</u>	<u>2,610,360</u>

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

**6.1** The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 whereby Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by asset management companies. In this regard, a Constitutional Petition has been filed by certain collective investment schemes (CISs) and Pension Funds through their trustees in the Honourable High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management services after the eighteenth amendment. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in these financial statements aggregating to Rs.1.763 million as at June 30, 2015 (2014: Rs.0.742 million). In case the suit is decided against the Fund, the same would be paid to the Pension Fund Manager, who will be responsible for submitting it to the authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Asset Value (NAV) per unit of the Fund would have been higher by Re.1.28 per unit (2014: Re.0.61 per unit) in respect of equity sub-fund, Re.0.79 per unit (2014: Re.0.39 per unit) in respect of debt sub-fund and Re.0.88 per unit (2014: Re.0.40 per unit) in respect of money market sub-fund as at June 30, 2015.

**6.2** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

The Pension Fund Manager as a matter of abundant caution started making provision effective from May 10, 2013 in view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs.3.62 (0.95%) (2014: Rs.1.43 (0.79%)), Re.0.42 (0.24%) (2014: Re.0.50 (0.17%)) and Re.0.40 (0.25%) (2014: Re.0.55 (0.15%)) for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively.

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

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

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

### **7. CONTINGENCIES AND COMMITMENTS**

**7.1** As disclosed in note 6.2, the Fund commenced making provision in respect of WWF with effect from May 10, 2013. The unrecognised liability for contribution to WWF for the period from July 01, 2008 to May 09, 2013 amounts to Rs.0.697 million, Rs.0.353 million and Rs.0.245 million for Equity Sub-Fund, Debt Sub-Fund and Money Market-Sub Fund (aggregating to Rs.1.295 million) respectively.

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

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

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

- Expenses specifically incurred by a sub-fund, such as custody and settlement charges, fees and subscription and bank charges are charged to that sub-fund.

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

- Auditors' remuneration and legal and professional charges are allocated on the basis of the proportionate net assets of each sub-fund.

**9. REMUNERATION OF PENSION FUND MANAGER**

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

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

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

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

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

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

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

**13. AUDITORS' REMUNERATION**

	for the year ended June 30, 2015				For the year ended June 30, 2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	----- (Rupees) -----				
Audit fee	119,144	85,030	45,826	250,000	250,000
Half yearly review fee	59,572	42,515	22,913	125,000	125,000
Other certifications and services	35,743	25,509	13,748	75,000	75,000
	214,459	153,054	82,487	450,000	450,000
Add: Sales tax	10,723	7,653	4,124	22,500	15,000
Out of pocket expenses	18,977	13,542	7,300	39,819	37,500
	<b>244,159</b>	<b>174,249</b>	<b>93,911</b>	<b>512,319</b>	<b>502,500</b>

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

	As at June 30, 2015				June 30, 2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	----- (Rupees) -----				
Market value	162,255,810	-	-	162,255,810	2,937,000
Average cost	(152,907,746)	(1,011,220)	-	(153,918,966)	(3,841,420)
	9,348,064	(1,011,220)	-	8,336,844	(904,420)
Impairment loss					
Opening	-	1,093,601	-	1,093,601	1,093,601
Charged / (reversed)	1,785,441	(82,381)	-	1,703,060	-
	1,785,441	1,011,220	-	2,796,661	1,093,601
Surplus net of impairment loss	11,133,505	-	-	11,133,505	189,181
Reversal during the year	74,760	-	-	74,760	-
Less: Net unrealised appreciation in value of investment at the beginning of the year	(106,800)	-	-	(106,800)	(4,962,567)
Appreciation / (diminution) during the year	<b>11,101,465</b>	<b>-</b>	<b>-</b>	<b>11,101,465</b>	<b>(4,773,386)</b>

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

**15. EARNINGS PER UNIT**

Earnings per unit (EPU) for the year ended June 30, 2015 in respect of each sub-fund has been calculated by dividing the net income / (loss) after taxation of a sub-fund by the weighted average number of units of the sub-fund in circulation during the year, which are given below:

	For the year ended June 30, 2015		
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
Weighted average number of units	441,998	570,045	400,196
Net income after taxation	54,471,519	6,313,428	3,094,844
Earnings per unit	123.24	11.08	7.73

**16. TRANSACTIONS WITH CONNECTED PERSONS**

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

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

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

For the year ended June 30, 2015				For the year ended June 30, 2014
PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub- Fund	Total	
----- (Rupees) -----				

**16.1 Transactions during the year**

**MCB-Arif Habib Savings  
and Investments Limited -  
Pension Fund Manager**

Remuneration including indirect taxes	3,525,463	2,519,049	1,358,135	7,402,647	4,554,265
Issue of PIPF Equity Sub-Fund Nil units (2014: 5,160)	-	-	-	-	1,000,000
Sindh sales tax registration charges	4,017	2,576	1,281	7,874	-
Legal and professional charges	52,607	31,734	15,659	100,000	-

**Habib Metropolitan Bank Limited  
Trustee**

Remuneration	55,043	48,389	27,995	131,427	486,509
Profit earned during the year	87,911	94,353	39,804	222,068	768,188
Bank charges	551	348	339	1,238	14,311

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

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

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

**Central Depository Company  
Limited - Trustee**

Remuneration	218,993	149,025	78,778	446,796	-
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**Brokerage**

Arif Habib Limited	50,102	-	-	50,102	20,196
Next Capital Limited	47,521	350	-	47,871	-

**Directors and Officers**

Issue of PIPF Equity Sub-Fund 3,282 units (2014: 7,037 units)	1,024,989	-	-	1,024,989	1,625,049
Issue of PIPF Debt Sub-Fund 4,397 units (2014: 7,457 units)	-	761,153	-	761,153	1,227,773
Issue of PIPF Money Market Sub-Fund 1,438 units (2014: 3,342 units)	-	-	227,752	227,752	506,270
Redemption of PIPF Equity Sub-Fund 3,278 units (2014: 2,914 units)	1,044,840	-	-	1,044,840	666,806
Redemption of PIPF Debt Sub-Fund 4,160 units (2014: 1,431 units)	-	717,509	-	717,509	232,684
Redemption of PIPF Money Market Sub-Fund 3,361 units (2014: 668 units)	-	-	529,255	529,255	99,364

**16.2 Amounts outstanding as at year end**

As at June 30, 2015				June 30, 2014
PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub- Fund	Total	

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

**MCB-Arif Habib Savings  
and Investments Limited -  
Pension Fund Manager**

Remuneration payable	280,417	167,855	83,091	531,363	375,667
Sindh sales tax payable	42,063	25,178	12,464	79,705	60,107
Investment in seed capital 305,160 units (2014: 305,160 units)	116,627,601	-	-	116,627,601	83,589,667
Investment in seed capital 300,000 units (2014: 300,000 units)	-	53,447,754	49,147,029	102,594,783	97,914,486

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

	As at June 30, 2015			Total	June 30, 2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub- Fund		
	----- (Rupees) -----				
Legal and professional charges	52,607	31,734	15,659	100,000	-
<b>Central Depository Company Limited - Trustee</b>					
Remuneration payable	28,043	16,786	8,308	53,137	-
Security deposit	201,000	200,000	100,000	501,000	501,000
<b>Brokerage</b>					
Arif Habib Limited	1,500	-	-	1,500	925
Next Capital Limited	3,346	-	-	3,346	-
<b>Directors and Officers</b>					
Balance as at June 30, 2015					
Investment In PIPF Equity Sub-Fund 15,372 units (2014: 15,799 units)	5,874,984	-	-	5,874,984	4,327,674
Investment In PIPF Debt Sub-Fund 16,770 units (2014: 15,695 units)	-	2,987,737	-	2,987,737	2,669,200
Investment In PIPF Money Market Sub- Fund 3,317 units (2014: 4,976 units)	-	-	543,415	543,415	777,822

**17. FINANCIAL RISK MANAGEMENT**

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

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

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

**17.1 Market risk**

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

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

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

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

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### 17.1.1 Currency risk

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

### 17.1.2 Risk of return

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

#### **Sensitivity analysis of variable rate instruments**

- a) Government Ijarah Sukuks which are classified as 'at fair value through profit or loss' - held-for-trading and 'available-for-sale' exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in rates announced by the MUFAP (Mutual Funds Association of Pakistan) on June 30, 2015, with all other variables held constant, the net income for the year and net assets would be higher / lower by Rs.1,880,500 (2014: Rs.1,610,500).
- b) Balances with bank in saving accounts exposing the Fund to cash flow risk of return. In case of 100 basis points increase / decrease in KIBOR on June 30, 2015, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.213,327 (2014: Rs.310,889).

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

Yield / return 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.

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

	June 30, 2015										
	PIPF Equity Sub-Fund			PIPF Debt Sub-Fund			PIPF Money Market Sub-Fund				
	Exposed to yield / interest rate risk			Exposed to yield / interest rate risk			Exposed to yield / interest rate risk		Exposed to yield / interest rate risk		Not exposed to yield / interest rate risk
	Upto three months	More than three months and up to one year	More than yield / interest rate risk	Upto three months	More than three months and up to one year	More than yield / interest rate risk	Upto three months	More than three months and up to one year	Upto three months	More than three months and up to one year	More than yield / interest rate risk
<b>Total</b>											
	40,259,604	6,435,708	-	18,926,952	12,027,202	-	-	2,869,742	-	-	-
Balances with banks	398,903,530	-	-	207,934,440	-	8,102,400	118,332,840	7,089,600	-	57,444,250	-
Investments	581,473	-	-	581,473	-	-	-	-	-	-	-
Dividend receivable	2,131,538	-	-	4,395	-	-	-	-	-	-	750,790
Profit receivable	3,031,000	-	-	2,711,000	-	-	210,000	-	-	-	110,000
Deposits and other receivables	444,907,145	6,435,708	-	230,158,260	12,027,202	8,102,400	118,332,840	1,586,353	9,959,342	57,444,250	860,790
	711,068	-	-	375,086	-	-	-	224,768	-	-	111,214
Payable to Pension Fund Manager	53,137	-	-	28,043	-	-	-	16,786	-	-	8,308
Payable to Central Depository Company Limited - Trustee	653,991	-	-	432,760	-	-	-	143,001	-	-	78,230
Accrued expenses and other liabilities	1,418,196	-	-	835,889	-	-	-	384,555	-	-	197,752
	443,488,949	6,435,708	-	229,322,371	12,027,202	8,102,400	118,332,840	1,201,798	9,959,342	57,444,250	663,038
<b>On-balance sheet gap</b>											

**On-balance sheet financial instruments**

**Financial assets**

Balances with banks  
Investments  
Dividend receivable  
Profit receivable  
Deposits and other receivables

**Financial liabilities**

Payable to Pension Fund Manager  
Payable to Central Depository Company Limited - Trustee  
Accrued expenses and other liabilities

**On-balance sheet gap**

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

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

	June 30, 2014										
	PIPF Equity Sub-Fund			PIPF Debt Sub-Fund			PIPF Money Market Sub-Fund				
	Exposed to yield / interest rate risk			Exposed to yield / interest rate risk			Exposed to yield / interest rate risk		Exposed to yield / interest rate risk		Not exposed to yield / interest rate risk
	Upto three months	More than three months and up to one year	Not exposed to yield / interest rate risk	Upto three months	More than three months and up to one year	Upto three months	More than three months and up to one year	Upto three months	More than three months and up to one year		
<b>On-balance sheet financial instruments</b>											
<b>Financial assets</b>											
Balances with banks	38,618,632	9,103,091	-	7,529,705	9,784,585	-	-	12,201,251	-	-	-
Investments	287,355,221	-	-	122,502,314	-	8,102,400	100,230,636	-	-	7,089,600	49,430,271
Dividend receivable	-	-	-	-	-	-	-	-	-	-	-
Profit receivable	-	-	-	-	-	-	-	-	-	-	-
Deposits and other receivables	2,134,872	-	-	20,245	-	-	-	1,387,694	-	-	726,933
	3,006,371	-	-	2,706,371	-	-	-	200,000	-	-	100,000
	331,115,096	9,103,091	-	132,758,635	9,784,585	8,102,400	100,230,636	1,587,694	19,290,851	-	49,430,271
<b>Financial liabilities</b>											
Payable to Pension Fund Manager	435,774	-	-	181,444	-	-	-	157,928	-	-	96,402
Payable to Habib Metropolitan Bank Limited - Trustee	46,198	-	-	19,235	-	-	-	16,743	-	-	10,220
Payable against purchase of investments	6,680,310	-	-	6,680,310	-	-	-	-	-	-	-
Accrued expenses and other liabilities	499,518	-	-	297,339	-	-	-	122,992	-	-	79,187
	7,661,800	-	-	7,178,328	-	-	-	297,663	-	-	185,809
<b>On-balance sheet gap</b>	323,453,296	9,103,091	-	125,580,307	9,784,585	8,102,400	100,230,636	1,290,031	19,290,851	-	49,430,271

- (Rupees) -

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

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

### 17.1.3 Price risk

Price risk is a risk that the value of financial instrument may fluctuate as a result of changes in market prices. The Equity Sub-Fund is exposed to equity price risk because of equity securities held by the Equity Sub-Fund and classified on the balance sheet as available-for-sale. To manage its price risk arising from investment in equity securities, the Equity Sub-Fund's investment policy, as restricted by Voluntary Pension System Rules, 2005, limits investments in listed shares of one company to not more than 10% of Sub-Fund net assets and investment in listed securities of a particular company have also been restricted to 10% of paid-up capital of investee company. Moreover, the sector limits have been restricted to 35% of the net assets of the Sub-Fund.

In case of 5% increase / decrease in KSE 100 index on June 30, 2015, the net assets relating to the Equity Sub-Fund and total net assets of the Fund would increase / decrease by Rs.8.838 million (2014: Rs.5.451 million) as a result of gains / losses on equity securities classified as available-for-sale and at fair value through profit or loss - held-for-trading.

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

### 17.2 Credit risk

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

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

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

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

	As at June 30, 2015			Total	As at June 30, 2014
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
Balances with banks	25,362,660	12,027,202	2,869,742	40,259,604	38,618,632
Dividend receivable	581,473	-	-	581,473	-
Profit receivable	4,395	1,376,353	750,790	2,131,538	2,134,872
Deposits and other receivables	10,000	10,000	10,000	30,000	-
	<b>25,958,528</b>	<b>13,413,555</b>	<b>3,630,532</b>	<b>43,002,615</b>	40,753,504

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

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

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

Bank balances by rating category	Rating agency	Rating long-term short-term	2015	2014
			----- (Rupees) -----	
Habib Metropolitan Bank Limited	PACRA	AA+ / A1+	30,221,077	26,552,074
Habib Bank Limited	PACRA	AAA / A-1+	10,038,527	-

**Sukuk Certificates  
by rating category**

			2015	2014
Pakistan Elektron Limited	PACRA	-	Non traded	Non traded

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

**Concentration of credit risk**

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

**17.3 Liquidity risk**

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

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

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

June 30, 2015									
	PIPF Equity Sub-Fund			PIPF Debt Sub-Fund			PIPF Money Market Sub-Fund		
	Upto three months	Over three months and up to one year	Over one year	Upto three months	Over three months and up to one year	Over one year	Upto three months	Over three months and up to one year	Over one year
<b>Total</b>									
Payable to Pension Fund Manager	375,086	-	-	224,768	-	-	111,214	-	-
Payable to Central Depository Company Limited - Trustee	28,043	-	-	16,786	-	-	8,308	-	-
Accrued expenses and other liabilities	432,760	-	-	143,001	-	-	78,230	-	-
	835,889	-	-	384,555	-	-	197,752	-	-

**Liabilities**

Payable to Pension Fund Manager  
Payable to Central Depository Company Limited - Trustee  
Accrued expenses and other liabilities

June 30, 2014									
	PIPF Equity Sub-Fund			PIPF Debt Sub-Fund			PIPF Money Market Sub-Fund		
	Upto three months	Over three months and up to one year	Over one year	Upto three months	Over three months and up to one year	Over one year	Upto three months	Over three months and up to one year	Over one year
<b>Total</b>									
Payable to Pension Fund Manager	181,444	-	-	157,928	-	-	96,402	-	-
Payable to Habib Metropolitan Bank Limited - Trustee	19,235	-	-	16,743	-	-	10,220	-	-
Payable against purchase of investments	6,680,310	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	297,339	-	-	122,992	-	-	79,187	-	-
	7,178,328	-	-	297,663	-	-	185,809	-	-

**Liabilities**

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





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

### 17.5 Fair value of financial assets and liabilities

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

#### 17.5.1 Fair value hierarchy

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

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

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

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

Total	June 30, 2015							
	PIPF Equity Sub-Fund			PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 1	Level 2	Level 3
(Rupees)								

#### ASSETS

Investment in securities - 'at fair value through profit or loss' - held-for-trading	236,612,640	45,643,550	-	-	-	126,435,240	-	-	64,533,850	-
'Available-for-sale'	162,255,810	162,255,810	-	-	-	-	-	-	-	-
Investment in Preference shares	35,080	-	-	35,080	-	-	-	-	-	-
<b>Total</b>	<b>398,903,530</b>	<b>207,899,360</b>	<b>-</b>	<b>35,080</b>	<b>-</b>	<b>126,435,240</b>	<b>-</b>	<b>-</b>	<b>64,533,850</b>	<b>-</b>

Total	June 30, 2014							
	PIPF Equity Sub-Fund			PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 1	Level 2	Level 3
(Rupees)								

#### ASSETS

Investment in securities - 'at fair value through profit or loss' - held-for-trading	284,418,221	119,565,314	-	-	-	108,333,036	-	-	56,519,871	-
'Available-for-sale'	2,937,000	2,937,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>287,355,221</b>	<b>122,502,314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,333,036</b>	<b>-</b>	<b>-</b>	<b>56,519,871</b>	<b>-</b>

### 18. CAPITAL RISK MANAGEMENT

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

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

### 19. SEGMENT INFORMATION

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

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

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

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

### 20. GENERAL

Figures have been rounded off to the nearest Rupee.

### 21. DATE OF AUTHORISATION FOR ISSUE

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

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



Chief Executive Officer



Director



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Please read the Offering Document to understand the investment policies and the risks involved.



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