

PAKISTAN PENSION FUND

PPF

QUARTERLY REPORT SEPTEMBER 30, 2010 (Unaudited)

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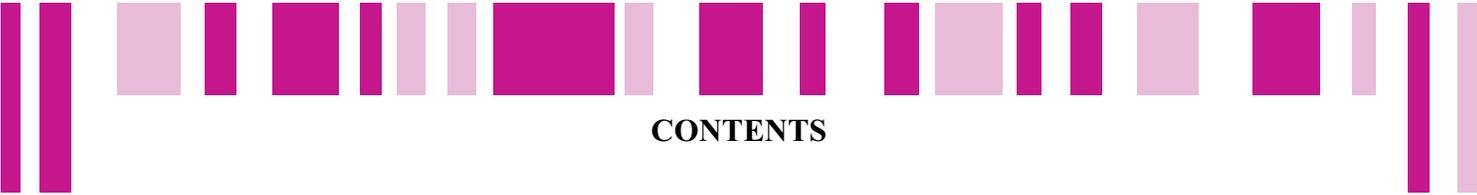
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FUND'S INFORMATION

Pension Fund Manager	Arif Habib Investments Limited Arif Habib Centre, 23 M. T. Road, Karachi-74000.	
Board of Directors of the Pension Fund Manager	Mr. Muhammad Shafi Malik Mr. Nasim Beg Mr. Muhammad Akmal Jameel Mr. Sirajuddin Cassim Mr. Muhammad Kashif Habib Mr. S. Gulrez Yazdani Syed Ajaz Ahmed	Chairman Chief Executive Director Director Director Director Director
Company Secretary & CFO of the Pension Fund Manager	Mr. Zeeshan	
Audit Committee	Mr. Muhammad Shafi Malik Mr. Muhammad Akmal Jameel Mr. Muhammad Kashif Habib Syed Ajaz Ahmed	Chairman Member Member Member
Trustee	MCB Financial Services Limited (MCBFSL) 3 rd Floor, Adamjee House, I.I. Chundrigar Road, Karachi.	
Bankers	Bank AL Habib Limited Summit Bank Limited (formerly :Arif Habib Bank Limited) Deutsche Bank A.G. Standard Chartered Bank (Pakistan) Limited The Bank Of Punjab	
Auditors	M . Yousuf Adil Saleem & Co. - Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
Legal Adviser	Bawaney & Partners 404, 4 th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Registrar	Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5 th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.	



REPORT OF THE DIRECTORS OF THE FUND MANAGER FOR THE QUARTER ENDED SEPTEMBER 30, 2010

The Board of Directors of Arif Habib Investments Limited, the Fund Manager of Pakistan Pension Fund (PPF), is pleased to present its report together with Condensed Interim Financial Statements for the quarter ended September 30, 2010.

Fund Objective

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

Fund Profile

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

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

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

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

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

Fund Performance during quarter ended September 30, 2010

Equity sub-fund

The net assets of the sub-fund as at September 30, 2010 stood at Rs 47.18 million as compared to Rs 61.01 million at the beginning of the quarter, registering a decrease of 22.67%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 86.10 as compared to Rs 82.54 at the beginning of the quarter, registering an increase of Rs. 3.56 per unit.

Debt sub-fund

The net Assets of the sub-fund as at September 30, 2010 stood at Rs 73.80 million as compared to Rs 67.28 million at the beginning of the quarter, registering a positive change of 9.69%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 124.47 as compared to Rs 121.68 at the beginning of the year, registering an increase of Rs 2.79 per unit.

Money Market sub-fund

The net Assets of the sub-fund as at September 30, 2010 stood at Rs 62.29 million as compared to Rs 47.52 million at the beginning of the quarter, registering a positive change of 31.08%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 130.35 as compared to Rs 127.25 at the beginning of the quarter, registering an increase of Rs 3.10 per unit.

Future Outlook and Fund Performance

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

Acknowledgement

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

For and on behalf of the Board

Karachi
October 25, 2010

Nasim Beg
Chief Executive

PAKISTAN PENSION FUND
Managed by: ARIF HABIB INVESTMENTS LIMITED



REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED SEPTEMBER 30, 2010

The Board of Directors of Arif Habib Investments Limited, the Fund Manager of Pakistan Pension Fund (PPF), is pleased to submit its report together with condensed interim financial statements for the quarter ended September 30, 2010.

Fund Objective

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Fund Profile

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

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

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

Fund Performance during the quarter ended September 30, 2010

Net assets of Pakistan Pension Fund at the end of September 2010 are Rs 183 million, up 28% from the corresponding period of last year.

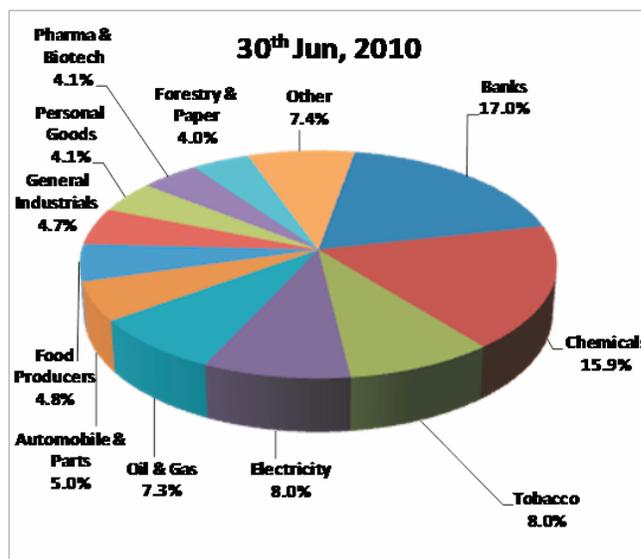
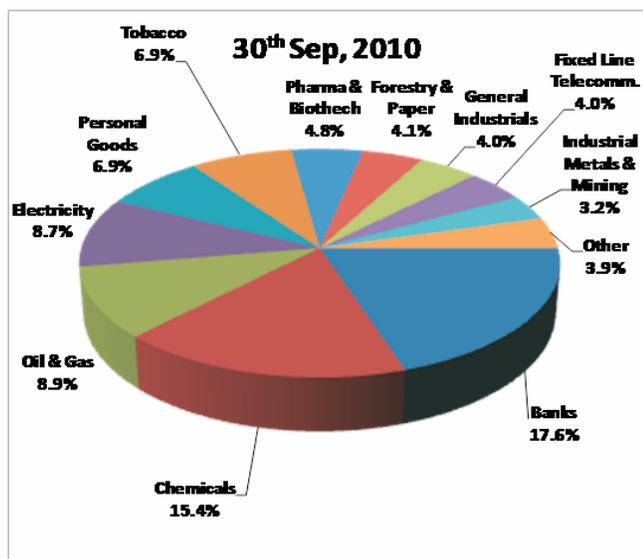
Equity Sub Fund

Equity Sub Fund NAV increased 4.31% during 1QFY11 compared to 3% increased in KSE-100 Index. Equity exposure of the fund was trimmed to 88.4% from 92.55% at the start of the quarter. Sub fund outperformance was largely contributed by Nestle and Lakson Tobacco. Other major return contributors during the quarters were Searle Pakistan, PAEL, PPL, POL, FFBL, Pakistan Tobacco and Century Paper. On the other hand, Packages, PSMC and the banking sector underperformed and dragged the sub Fund return.

	PPF-E	KSE-100
Jul-10	7.91%	8.20%
Aug-10	-6.04%	-6.71%
Sep-10	2.88%	2.04%

During the quarter under review, the sub Fund sold overvalued stocks and stocks which were not likely to outperform in months to come. Moreover, exposures were taken in undervalued, fundamentally strong stocks.

- Allocation in Nestle has been disposed off completely and exposure in Lakson has been trimmed to 2.63% from 3.58% earlier. Both these stocks have crossed their fair value.
- Exposure in Fertilizer stocks was reduced due to expected shortfall in fertilizer demand in the near term created due to the floods.
- Automobile and parts sector has been disposed off completely due to the bleak outlook on volumetric sales and margins.
- Nishat Chunian has been added in the portfolio due to better profitability outlook.



Top 10 holdings on Sep 30, 2010	
Pakistan Oilfields Ltd.	4.85%
Searle Pakistan Ltd.	4.83%
Sitara Chemical Industries Ltd.	4.81%
Bank-al-Habib Ltd.	4.61%
Allied Bank Ltd.	4.51%
Nishat Mills Ltd.	4.45%
Habib Metropolitan Bank Ltd.	4.45%
Hub Power Co. Ltd.	4.36%
ICI Pakistan Ltd.	4.33%
Kot Addu Power Co. Ltd.	4.33%

Top 10 holdings on Jun 30, 2010	
Packages Ltd.	8.85%
Fauji Fertilizer Bin Qasim Ltd.	7.99%
Pakistan Petroleum Ltd.	7.98%
Searle Pakistan Ltd.	7.69%
Pakistan Oilfields Ltd.	7.65%
ICI Pakistan Ltd.	6.02%
Hub Power Co. Ltd.	5.83%
Fauji Fertilizer Co. Ltd.	5.74%
Agriauto Industries Ltd.	5.71%
Pak Suzuki Motor Co. Ltd.	4.66%

Debt Sub Fund

The Debt sub Fund NAV increased 9.10% (annualized) during 1QFY11. A relatively lower return is attributable to the mark to market losses on PIBs portfolio due to upward movement in interest rates. Allocation in PIBs was 50.7% of net assets as of September 30, 2010. During the quarter sub fund only add short duration T-bills in its portfolio and no changes was made in PIBs and TFCs portfolio. The sub fund size has reached Rs 73.8 million.

Money Market Sub Fund

Money Market sub Fund NAV increased 9.67% (annualized) during 1QFY11. The sub Fund was 98.7% invested in T-Bills. The sub fund asset under management has reached Rs 62.29 million.

Stock market review and outlook

The KSE-100 gained 3% to 10,013 during the 1st quarter of FY11 (July-September 2010). Trading activity fell sharply lower to 62 million average daily turnover (compared to last fiscal year average of 132 million) following the introduction of capital gains tax from July, delays in the introduction of margin trading system and declining local investors' confidence due to slowing economy/higher interest rates. The market witnessed sharp correction of 9.5% in August as massive floods hit the country causing huge devastation. However, the market brushed aside all these negative developments and bounced back by September amid continuing strong foreign investors' inflows and no significant direct impact of floods on major corporate entities listed on the stock exchanges. The rebound in KSE also coincided with sharp gains in other emerging markets particularly India, Sri Lank and Bangladesh.

Pakistan equity market has shown quite resilience in the recent past to the negative developments on the macroeconomic front with slowing GDP growth and rising domestic interest rates. We have a cautious stance on equities for the near term due to lack of any positive triggers on the economic and political front. Amidst low domestic investors' interest, foreign investors will play a dominant role in setting the market direction and events in emerging market equities will likely have profound impact on the local market. At present local equities are trading at an average PE of 8.3 sharply lower than emerging markets averages ranging between 14.3x - 27.9x. However, given the high domestic equity risk premium coupled with higher interest rates, Pakistani equities might not record any significant upside in the near term.

1Q FY11 Economic Review

Major event during 1QFY11 was the worst ever flood that affected around 10% of the population. The flood related damages and remedial steps were the major concern for policy makers. Preliminary assessment by World Bank and Asian Development Bank indicates a loss of US\$ 9.5 billion (approx. 6% of GDP), out of which crops and live stock damages are estimated at US\$5bn approx. The immediate economic effect of the flood has already been reflected in inflation numbers where sharp increase in food prices (particularly perishable items) has jacked up the September, 2010 CPI at 17 months high of 15.7%. External side remains weak and is highly dependent on IMF and donors' support. Current account deficit has increased by 49% in first 2 months of 1QFY11 on the back of swollen goods and services deficit. Only positive was August, 2010 remittances number which was up 19% on a monthly basis. The concern of rising inflation along with mounting twin deficits were the major reasons behind the SBP's two consecutive rate hikes in the preceding quarter. Discount rate has now reached 13.5% after the September policy action.

Real Sector

The GDP growth targets along with fiscal and external targets have been revised downwards. The government expects GDP to grow between 2.5 - 3.5% from prior-flood estimate of 4.5%. The production number of July has been released where LSM grew by 3.05% as compared to -1.07% growth in the corresponding month of last year. A key area to watch will be the growth numbers in upcoming months which will show the actual production loss due to the floods.

Monetary Sector

Money supply numbers, during the quarter (From June 30 to Oct 1), grew by 0.6% versus negative growth of -0.03% in the corresponding quarter of last year. Net Foreign Assets (NFA) were at Rs 35.4 billion while net Domestic Assets (NDA) were at Rs -0.5 billion. Government borrowing after touching Rs 220 billion as on Sep 24, 2010 has come down to Rs 200 billion, still a high number and a major cause of concern for the central bank. Credit to private sector and public sector enterprises (PSEs) collectively showed a net retirement of Rs 68 billion. Retirement of loan by PSEs reflects the partial payment release by Ministry of Finance under the circular debt issue. Furthermore, net retirement of credit by private sector in this quarter is a normal phenomenon. Next quarter is crucial where seasonal borrowing of private sector for working capital requirement is at its peak. It will determine the real investment climate and the 'crowding out' effect of government borrowing.

Prices

The CPI inflation posted a considerable increase for September, 2010 to reach 17 months highest number of 15.71% against 10.12% in the corresponding period of last year. On the other hand, core inflation numbers at 9.4% are on an 18 months low. It explains the abnormal movement of energy and food prices. In September food inflation was 21.24% YoY with perishable food items posting a staggering 53.8% increase over September, FY10. This increase in prices is due to the supply shortage of food items after the floods. Overall, SBP has revised CPI estimate to 13.5-14.5% for FY 11 from its initial estimate of 12.5%.

Fiscal Sector

Fiscal deficit of 6.3% for FY10 (numbers released in September) has surpassed the earlier estimates of 4.5%. Given the higher deficit of last year, the initial estimate of 4% for FY11 appears to be unrealistic given the flood shock to the economy, which is likely to lead to both lower-than-targeted tax collection numbers (due to economic slowdown) and rising expenditures for the rehabilitation of flood affectees. Additional external funding and higher donors support could mitigate pressure on fiscal side.

External Sector

External sector has observed deterioration with the beginning of FY11. This is explained by an increase in the Current Account Deficit (CAD), which stands at \$ 944 million from July - August, FY11 against \$635 million in the same period last year. According to the latest figures available, Foreign Direct Investment (FDI) fell by 50.2% from July-August, FY11 to \$171.4 million against \$344 million in the same period of the preceding year. On the other hand, forex reserves are on an all-time high and stood at \$16.9 billion as of September 30, 2010 amid inflows from IMF, World Bank and higher remittances. The 1QFY11's remittances were up by 13.5% (\$2.646 billion) against \$2.3312 billion in the same quarter of last year.

CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2010

Note	Unaudited			Audited	
	-----2010-----				
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	June 30, 2010
-----Rupees-----					
Assets					
Bank balances	3,685,015	2,369,217	420,708	6,474,940	15,665,252
Investments (as per Statement of Investments by Category)	41,702,463	70,055,445	61,447,615	173,205,523	160,026,478
Dividend receivable	256,280	-	-	256,280	175,000
Interest receivable	58,820	928,908	58,161	1,045,889	1,857,138
Deposits and other receivable	1,608,730	616,702	495,896	2,721,328	2,542,502
Taxation refundable	-	-	-	-	4,481
Total assets	47,311,308	73,970,272	62,422,380	183,703,960	180,270,851
Liabilities					
Payable to the Pension Fund Manager	63,481	88,329	71,114	222,924	206,058
Payable to the Trustee	8,276	11,514	9,270	29,060	26,923
Payable to auditors	26,997	31,039	23,081	81,117	229,999
Annual fee payable to the Securities and Exchange Commission of Pakistan	4,969	5,789	4,293	15,051	49,883
Front end load payable	374	900	226	1,500	-
Accrued and other liabilities	29,438	32,446	26,410	88,294	3,949,324
Taxation payable	18	71	184	273	-
Total liabilities	133,553	170,088	134,578	438,219	4,462,187
NET ASSETS	47,177,755	73,800,184	62,287,802	183,265,741	175,808,664
Participants Sub-Funds (as per Statement of Movement in Participants' sub funds)	47,177,755	73,800,184	62,287,802		
Number of units in issue	547,917	592,917	477,861		
Net Asset Value per unit	86.10	124.47	130.35		

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	-----For the quarter ended September 30, 2010-----			For the quarter ended September 30, 2009	
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund		Total
	-----Rupees-----				
Income					
Income from government securities	-	1,289,588	1,452,360	2,741,948	2,099,487
Income from term finance certificates and sukuk bonds	-	713,342	-	713,342	-
Capital gain / (loss) on sale of investments	2,816,847	-	-	2,816,847	514,344
Dividend income	465,400	-	-	465,400	872,136
Profit on bank accounts	134,395	49,457	43,888	227,740	369,953
Impairment loss on 'available-for-sale' investments	(731,502)	-	-	(731,502)	(93,999)
Element of income / (loss) and capital (losses)/ gain included in prices of units issued less those in units redeemed - net	3,202,049	1,046,378	3,095,505	7,343,932	(315,129)
Total income / (loss)	5,887,192	3,098,765	4,591,756	13,577,713	3,446,792
Expenses					
Remuneration of the Pension Fund Manager	223,616	260,510	193,191	677,317	509,990
Remuneration of the Trustee	29,157	33,967	25,189	88,313	67,120
Annual fee-Securities and Exchange Commission of Pakistan	4,969	5,789	4,293	15,051	11,332
Auditors' remuneration	24,985	29,079	21,553	75,617	78,740
Custody and settlement charges	37,769	2,239	1,500	41,508	12,175
Bank charges	-	3,443	-	3,443	1,248
Amortization of formation cost	-	-	-	-	37,809
Legal and professional charges	6,628	7,714	5,717	20,059	17,643
Total expenses	327,124	342,741	251,443	921,308	736,057
Net income before taxation	5,560,068	2,756,024	4,340,313	12,656,405	2,710,735
Provision for taxation	1,345	20,158	15,015	36,518	12,345
Net income / (loss) after taxation	5,558,723	2,735,866	4,325,298	12,692,923	2,698,390
Other comprehensive income					
Net unrealized (loss) / gain during the period in the market value of investments classified as 'available-for-sale'	(277,120)	(116,325)	272	(393,173)	9,789,114
Total comprehensive income for the period	5,281,603	2,619,541	4,325,570	12,299,750	12,487,504
Earnings per unit	8.00	4.87	11.03		

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	-----For the quarter ended September 30, 2010-----				
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money- Market Sub-Fund	Total	For the quarter ended September 30, 2009
	-----Rupees-----				
Cash Flows From Operating Activities					
Net income for the period before taxation	5,560,068	2,756,024	4,340,313	12,656,405	2,710,735
Adjustments :					
Amortisation of formation cost	-	-	-	-	37,809
Unrealized appreciation in fair value of investments at fair value through profit or loss	-	-	-	-	
Impairment loss on investments classified as 'Available-for- Sale'	731,502	-	-	731,502	93,999
Elements of income/(loss) and capital gains / (losses) in prices of units issued less those in units redeemed - net	(3,202,049)	(1,046,378)	(3,095,505)	(7,343,932)	315,129
	(2,470,547)	(1,046,378)	(3,095,505)	(6,612,430)	446,937
Decrease / (Increase) in assets					
Investments	13,751,371	(11,731,245)	(16,323,848)	(14,303,722)	(16,426,950)
Dividend receivable	(81,280)	-	-	(81,280)	(434,507)
Interest receivable	(25,659)	870,830	(33,922)	811,249	758,672
Deposits and other receivables	534,661	(416,702)	(292,304)	(174,345)	(300,000)
	14,179,093	(11,277,117)	(16,650,074)	(13,748,098)	(16,402,785)
(Decrease) / Increase in liabilities					
Remuneration payable to Pension Fund Manager	(10,742)	12,920	14,688	16,866	(147,792)
Remuneration payable to the Trustee	(1,422)	1,661	1,898	2,137	3,241
Annual fee payable to the Securities and Exchange Commission of Pakistan	(13,566)	(11,900)	(9,366)	(34,832)	(22,897)
Payable to auditors	(57,148)	(50,913)	(40,821)	(148,882)	(135,261)
Front end load payable	374	900	226	1,500	-
Accrued and other liabilities	(3,875,128)	8,038	6,061	(3,861,029)	(1,473,953)
	(3,957,632)	(39,294)	(27,314)	(4,024,240)	(1,776,662)
Taxation paid	(1,327)	(20,087)	(14,831)	(36,245)	-
Net cash inflow / (outflow) on operating activities	13,309,655	(9,626,852)	(15,447,411)	(11,764,608)	(15,021,775)
Cash Flows From Financing Activities					
Receipt of contribution	2,283,698	10,906,783	13,939,520	27,130,001	2,152,851
Payment against withdrawal	(18,194,074)	(5,960,808)	(400,823)	(24,555,705)	(59,897)
Net cash (ou flow) / inflow from financing activities	(15,910,376)	4,945,975	13,538,697	2,574,296	2,092,954
Net (decrease) in cash and cash equivalents	(2,600,721)	(4,680,877)	(1,908,714)	(9,190,312)	(12,928,821)
Cash and cash equivalents at the beginning					
of the period	6,285,736	7,050,094	2,329,422	15,665,252	17,665,549
Cash and cash equivalents at the end of the period	3,685,015	2,369,217	420,708	6,474,940	4,736,728

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN PARTICIPANTS SUB-FUNDS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	-----For the quarter ended September 30, 2010-----				For the quarter Ended September 30, 2009
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub -Fund	Total	
	----- Rupees -----				
Net assets at the beginning of the period	61,008,577	67,281,046	47,519,041	175,808,664	127,578,859
Amount received on issue of units	2,283,698	10,906,783	13,939,519	27,130,000	2,152,851
Amount paid on redemption of units	(18,194,074)	(5,960,808)	(400,823)	(24,555,705)	(59,897)
	(15,910,376)	4,945,975	13,538,696	2,574,295	2,092,954
Element of loss / (income) and capital loss / (gains) Included in prices of units issued less those in units redeemed - net					
- amount representing (accrued income) / loss and realised (capital gain) / losses - net	(3,202,049)	(1,046,378)	(3,095,505)	(7,343,932)	315,129
- amount representing unrealised diminution / (appreciation) in fair value of investments - net	(13,023)	100,162	1,122	88,261	47,792
	(3,215,072)	(946,216)	(3,094,383)	(7,255,671)	362,921
Net unrealized (loss) / gains during the period in the market value of investments classified as 'available- for- sale'	(277,120)	(116,325)	272	(393,173)	9,789,114
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed-amount representing unrealised appreciation/(diminution) in fair value of investments - net	13,023	(100,162)	(1,122)	(88,261)	(47,792)
Capital gain on sale of investments- net	2,816,847	-	-	2,816,847	514,344
Other net income	2,741,876	2,735,866	4,325,298	9,803,040	2,184,046
Net income / (loss) for the period after taxation	5,558,723	2,735,866	4,325,298	12,619,887	2,698,390
Net assets at the end of the period	47,177,755	73,800,184	62,287,802	183,265,741	142,474,446

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF INVESTMENTS BY CATEGORY (UNAUDITED)
AS AT SEPTEMBER 30, 2010**

PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub -Fund	Total	Audited June 30, 2010
------------------------------------	----------------------------------	---	--------------	----------------------------------

-----Rupees-----

Available for sale investments (as per
Statement of Investment Portfolio)

- Listed equity securities	41,702,463	-	-	41,702,463	56,462,457
- Pakistan Investment Bonds	-	37,405,977	-	37,405,977	37,920,048
- Term Finance Certificates	-	18,282,328	-	18,282,328	18,077,312
- Market Treasury Bills	-	14,367,140	61,447,615	75,814,755	47,566,661
	41,702,463	70,055,445	61,447,615	173,205,523	160,026,478
	41,702,463	70,055,445	61,447,615	173,205,523	160,026,478

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT SEPTEMBER 30, 2010**

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

Name of the Investee Company	Number of shares				As at September 30, 2010			Market value as a % of net assets of the sub-fund	% of the paid up capital of the company	
	As at July 01, 2010	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at September 30, 2010	Cost less impairment	Market value			Appreciation / (Diminution)
Rupees										
I.G.I Insurance Limited	9,900	-	-	9,900	-	-	-	0.00%	0.00%	
Nishat Mills Limited	58,166	-	-	12,480	45,686	1,246,668	1,157,760	(88,908)	2.45%	0.02%
Nishat Chunian	-	72,000	-	-	72,000	1,335,905	2,101,556	765,651	4.45%	0.03%
						2,582,573	3,259,316	676,743	6.91%	
Pakistan Tobacco Company Limited	26,000	-	-	8,012	17,988	1,018,051	2,005,662	987,611	4.25%	0.01%
Lakson Tobacco Company Limited	11,553	1,200	-	8,378	4,375	884,199	1,242,369	358,170	2.63%	0.01%
						1,902,250	3,248,031	1,345,781	6.88%	
International Industries Limited	25,433	-	5,086	-	30,519	1,146,774	1,489,329	342,555	3.16%	0.03%
						1,146,774	1,489,329	342,555	3.16%	
Pak Elektron Limited	128,150	-	-	36,256	91,894	422,827	1,286,516	863,689	2.73%	0.09%
Pakistan Cables Limited	9,532	-	-	-	9,532	324,469	566,963	242,494	1.20%	0.04%
						747,296	1,853,479	1,106,183	3.93%	
I C I Pakistan Limited	20,500	-	-	3,040	17,460	2,041,844	2,044,566	2,722	4.33%	0.01%
						2,041,844	2,044,566	2,722	4.33%	
Packages Limited	24,400	-	-	5,522	18,878	2,154,919	1,906,678	(248,241)	4.04%	0.02%
						2,154,919	1,906,678	(248,241)	4.04%	
Nestle Pakistan Limited	1,730	-	-	1,730	-	-	-	-	0.00%	0.00%
						-	-	-	0.00%	
Pak Suzuki Motor Company Limited	21,000	-	-	21,000	-	-	-	-	0.00%	0.00%
Agriauto Industries	20,000	-	-	20,000	-	-	-	-	0.00%	0.00%
						-	-	-	0.00%	
Allied Bank Limited	48,000	-	-	6,694	41,306	1,302,685	2,126,433	823,748	4.51%	0.01%
Bank Al-Habib Limited	88,300	-	-	18,259	70,041	2,116,206	2,174,773	58,567	4.61%	0.01%
Meezan Bank Limited	130,248	-	-	-	130,248	1,991,902	1,904,226	(87,676)	4.04%	0.02%
Habib Metropolitan Bank Limited	122,639	-	-	12,896	109,743	2,654,645	2,100,481	(554,164)	4.45%	0.01%
						8,065,438	8,305,913	240,475	17.61%	
The Hub Power Company Limited	75,085	-	-	13,340	61,745	2,009,758	2,055,491	45,733	4.36%	0.01%
Kot Addu Power Company Limited	59,000	-	-	9,307	49,693	2,079,942	2,042,382	(37,560)	4.33%	0.01%
						4,089,700	4,097,873	8,173	8.69%	
Pakistan Oil Fields Limited	12,000	-	-	2,344	9,656	1,616,418	2,289,727	673,309	4.85%	0.00%
Pakistan Petroleum Limited	10,076	-	1,838	886	11,028	1,541,130	1,901,337	360,207	4.03%	0.00%
						3,157,548	4,191,064	1,033,516	8.88%	
Pakistan Telecommunication Company Limited 'A'	100,000	-	-	-	100,000	1,547,560	1,880,000	332,440	3.98%	0.00%
						1,547,560	1,880,000	332,440	3.98%	
Engro Chemical Pakistan Limited	5,500	-	-	5,500	-	-	-	-	0.00%	0.00%
Fauji Fertilizer Bin Qasim Limited	100,200	-	-	35,200	65,000	960,536	1,761,500	800,964	3.73%	0.01%
Fauji Fertilizer Company Limited	11,325	-	-	-	11,325	1,006,283	1,187,313	181,030	2.52%	0.00%
Sitara Chemical Industries Limited	18,933	-	-	16	18,917	2,991,935	2,267,959	(723,976)	4.81%	0.09%
						4,958,754	5,216,772	258,018	11.06%	
Century Paper & Bond Mills Limited	152,815	-	-	54,645	98,170	1,725,067	1,931,004	205,937	4.09%	0.14%
						1,725,067	1,931,004	205,937	4.09%	
Searl Pakistan Limited	42,000	7,840	-	13,091	36,749	2,057,754	2,278,438	220,684	4.83%	0.12%
						2,057,754	2,278,438	220,684	4.83%	
Total						36,177,477	41,702,463	5,524,986	0.88	
								Total		
								Unaudited	Audited	
								September 30, 2010	June 30, 2010	
Rupees										
Market value								41,702,463	56,462,457	

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

For Arif Habib Investments Limited
(Pension Fund Manager)

**CONDENSED INTERIM STATEMENT OF OTHER INVESTMENTS (UNAUDITED)
AS AT SEPTEMBER 30, 2010**

Page 1 of 2

AVAILABLE- FOR- SALE' INVESTMENTS

Name of Investment	Face value				Balance as at September 30, 2010			Market value as a % of net assets of the sub-fund
	As at July 01, 2010	Purchases during the period	Sales / maturities during the period	As at September 30, 2010	Book value	Market value	Appreciation/ (Diminution)	
(----- Rupees -----)								
PPF DEBT SUB-FUND								
Pakistan Investment Bonds	40,000,000	-	-	40,000,000	39,568,058	37,405,977	(2,162,081)	50.69
Treasury bills	2,500,000	14,500,000	2,500,000	14,500,000	14,369,012	14,367,140	(1,872)	19.47
	42,500,000	14,500,000	2,500,000	54,500,000	53,937,070	51,773,117	(2,163,953)	70.15

PPF MONEY MARKET SUB-FUND

Treasury bills	46,000,000	62,300,000	46,000,000	62,300,000	61,463,721	61,447,614	(16,107)	98.65
	46,000,000	62,300,000	46,000,000	62,300,000	61,463,721	61,447,614	(16,107)	98.65

Total

115,400,791 **113,220,731** **(2,180,060)**

----- Total -----

Unaudited

Audited

September 30,
2010

June 30, 2010

----- Rupees -----

Market value

113,220,731

85,486,709

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF OTHER INVESTMENT (UNAUDITED)
AS AT SEPTEMBER 30, 2010**

Page 2 of 2

PPF DEBT SUB-FUND

TERM FINANCE CERTIFICATES AND SUKUK BONDS - 'AVAILABLE -FOR- SALE'

Name of the Investee Company	Issue date	Number of certificates			Balance as at September 30, 2010			Market value as a % of net assets of the sub-fund	Market value as a % of Total investments	Percentage in relation to the size of the issue
		As at July 01, 2010	Purchases during the period	Sales / matured during the period	As at September 30, 2010	Cost	Market value			

----- Rupees -----

Term finance certificates

Bank Alfalah Limited - TFC IV (Floating)	2/Dec/09	500	-	-	500	2,500,750	2,505,749	4,999	5.31	3.58	0.05
Engro Fertilizer Limited - TFC PRP-1	18/Mar/08	800	-	-	800	3,462,000	3,903,240	441,240	8.27	5.57	0.10
Pakistan Mobile Communication Limited - TFC II	1/Oct/07	1,000	-	-	1,000	2,438,750	2,494,460	55,710	5.29	3.56	0.20
Askari Commercial Bank Limited TFC	4/Feb/05	175	-	-	175	862,598	855,406	(7,192)	1.81	1.22	0.06
Bank Al Habib Limited TFC III	15/Jun/09	800	-	-	800	4,197,798	4,088,228	(109,570)	8.67	5.84	0.20
		3,275	-	-	3,275	13,461,896	13,847,083	385,187	29	20	
Sukuk bonds											
House Building Finance Corporation	8/May/08	600	-	-	600	2,160,000	2,319,228	159,228	4.92	3.31	0.18
Pak Electron Limited	28/Sep/07	750	-	-	750	1,838,576	2,116,017	277,441	4.49	3.02	0.25
		1,350	-	-	1,350	3,998,576	4,435,245	436,669	9	6	
		4,625	-	-	4,625	17,460,472	18,282,328	821,856	39	26	

-----Total-----
Unaudited Audited
September 30, June 30,
2010 2010
----- Rupees -----

Market Value

18,282,328 18,077,312

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM CONTRIBUTION TABLE (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

Contributions net of front end fee	PPF Equity Sub-Fund		PPF Debt Sub-Fund		PPF Money Market Sub-Fund		Total	For the quarter ended September 30, 2009
	Units	Rupees	Units	Rupees	Units	Rupees	(Rupees)	(Rupees)
Opening	739,165	61,529,289	552,919	57,956,467	373,418	38,717,274	158,203,030	131661380
Individuals- issue of unit	26,947	2,283,698	88,341	10,906,783	107,559	13,939,519	27,130,000	2,152,851
redemption of units	(218,194)	(18,194,074)	(48,343)	(5,960,808)	(3,116)	(400,823)	(24,555,705)	(59,897)
	(191,248)	(15,910,376)	39,998	4,945,975	104,443	13,538,696	2,574,295	2,092,954
Total	547,917	45,618,913	592,917	62,902,442	477,861	52,255,970	160,777,325	133,754,334

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF NUMBER OF UNITS IN ISSUE (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
Units outstanding at the beginning of the period	739,165	552,919	373,418
Add: Units issued during the period	26,947	88,341	107,559
Less: Units redeemed during the period	(218,194)	(48,343)	(3,116)
Units in issue at the end of the period	547,917	592,917	477,861

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

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

Chief Executive

Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

1 LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan Pension Fund (PPF) was established under a Trust Deed executed between Arif Habib Investments Limited - AHI as Pension Fund Manager and MCB Financial Services Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 24, 2007 and was executed on June 04, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). PPF is an open-ended pension fund consisting of three sub-funds namely PPF Equity Sub-Fund, PPF Debt Sub-Fund and PPF Money Market Sub-Fund. Units are offered for public subscription on a continuous basis. The number of units of any Sub-Fund purchased out of contributions depends on the Allocation Scheme selected by the respective Participant out of the allocation schemes offered by the Pension Fund Manager.

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

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

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These unaudited condensed interim 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, as are notified under the provisions of the Companies Ordinance, 1984, the requirements of the Trust Deed, the Voluntary Pension System Rules, 2005 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the Voluntary Pension System Rules, 2005 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the Voluntary Pension System Rules, 2005 or the requirements of the said directives prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the international Accounting Standard - 34; "Interim Financial Reporting" and Guidelines issued by the SECP for the preparation of the quarterly reports of a pension fund.

3 SIGNIFICANT ACCOUNTING POLICIES

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

4 Risk Management

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

5 DEPOSITS AND OTHER RECEIVABLES

	----- (Un-audited) -----				Audited
	----- As at September 30, 2010 -----				As at June 30, 2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	----- Rupees -----				
Security deposit - Central Depository Company of Pakistan Limited	200,000	200,000	200,000	600,000	600,000
Receivable against sale of investments	1,095,321	-	-	1,095,321	1,942,502
Receivable against sale of units	313,409	416,702	295,896	1,026,007	-
	<u>1,608,730</u>	<u>616,702</u>	<u>495,896</u>	<u>2,721,328</u>	<u>2,542,502</u>

6 ACCRUED AND OTHER LIABILITIES

	------(Un-audited)-----				Audited
	-----As at September 30, 2010-----				As at June 30, 2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	-----Rupees-----				
Payable against purchase of investments	-	-	-	-	3,872,056
Professional charges payable	27,042	32,121	26,066	85,229	65,172
Federal excise duty payable	259	-	-	259	1,664
Others	2,137	325	344	2,806	10,432
	<u>29,438</u>	<u>32,446</u>	<u>26,410</u>	<u>88,294</u>	<u>3,949,324</u>

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

	------(Un-audited)-----				Audited
	-----As at 30 th September 2010-----				As at 30 th June 2010
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund	Total	
	-----Rupees-----				
Market value of investments	41,702,463	70,055,445	61,447,614	173,205,522	160,026,478
Cost less impairment	(36,177,477)	(71,397,544)	(61,463,721)	(169,038,742)	(157,625,130)
	<u>5,524,986</u>	<u>(1,342,099)</u>	<u>(16,107)</u>	<u>4,166,780</u>	<u>2,401,348</u>
Impairment loss on investments classified as 'available-for-sale'	731,502	-	-	731,502	2,148,395
Reclassification of impairment on sale of impaired securities	(5,596,091)	-	-	(5,596,091)	(4,854,379)
	<u>(4,864,589)</u>	<u>-</u>	<u>-</u>	<u>(4,864,589)</u>	<u>(2,705,984)</u>
	<u>660,397</u>	<u>(1,342,099)</u>	<u>(16,107)</u>	<u>(697,809)</u>	<u>(304,636)</u>
Net unrealised diminution in fair value of investments at the beginning of the period	937,517	(1,225,773)	(16,379)	(304,635)	2,086,927
	<u>(277,120)</u>	<u>(116,325)</u>	<u>272</u>	<u>(393,173)</u>	<u>1,782,291</u>

7.1 As at September 30, 2010, the management carried out a scrip wise analysis of impairment in respect of equity securities classified as 'available-for-sale' and has determined that an impairment loss amounting to Rs 731,502 for the quarter ended September 30, 2010 to be charged to the condensed interim income statement.

8 TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

8.1 Transactions during the period

	-----Un Audited-----				For the quarter ended September 30, 2009
	For the Quarter ended September 30, 2010				
	PPF Equity Sub-Fund	PPF Debt Sub- Fund	PPF Money Market Sub- Fund	Total	
----- Rupees -----					
Pension Fund Manager					
Remuneration	223,616	260,510	193,191	677,317	509,990
Sales load	6,766	4,804	450	12,020	2,670
Summit Bank limited (formerly : Arif Habib Bank Limited)					
Mark-up received during the period	108,740	25,073	9,968	143,781	248,876
MCB Financial Services Limited -Trustee					
Trustee fee	29,157	33,967	25,189	88,313	67,120
Directors and officers					
Issue of 21,201 units of PPF Equity sub - fund (2009: 17,804 units)	1,799,399	-	-	1,799,399	1,299,087
Issue of 84,571 units of PPF Debt sub - fund (2009: 9,689 units)	-	10,438,744	-	10,438,744	1,084,602
Issue of 106,965 units of PPF Money Market sub - fund (2009: 3,707 units)	-	-	13,863,009	13,863,009	435,695
Redemption of 211,448 units of PPF Equity sub - fund (2009: 289 units)	17,613,588	-	-	17,613,588	18,972
Redemption of 39,272 units of PPF Debt sub - fund (2009: 203 units)	-	4,846,456	-	4,846,456	22,718
Redemption of 952 units of PPF Money Market sub - fund (2009: 154 units)	-	-	122,378	122,378	18,207

8.2 Amounts outstanding as at period end

	-----Un Audited-----				(Audited) June 30, 2010
	As at September 30, 2010				
	PPF Equity Sub-Fund	PPF Debt Sub- Fund	PPF Money Market Sub- Fund	Total	
----- Rupees -----					
Pension Fund Manager					
Remuneration payable	63,481	88,329	71,114	222,924	206,058
Investment of 300,000 units as seed capital in each sub-fund (2010: 300,000)	25,830,000	37,341,000	39,105,000	102,276,000	99,441,000
Summit Bank limited (formerly : Arif Habib Bank Limited)					
Bank Balances	3,677,501	1,389,376	377,324	5,444,201	15,119,151
Mark-up receivable	58,820	17,010	6,623	82,453	53,067
MCB Financial Services Limited -Trustee					
Trustee fee payable	8,276	11,514	9,270	29,060	26,923
Directors and Officers					
Investment In PPF Equity Sub - Fund 104,355 units (2010: 294,602 units)	8,984,966	-	-	8,984,966	24,316,457
Investment In PPF Debt Sub - Fund 135,347 units (2010: 90,048 units)	-	16,846,641	-	16,846,641	10,957,049
Investment In PPF Money Market Sub - Fund 123,916 units (2010: 17,903 units)	-	-	16,152,451	16,152,451	2,278,217

9 EARNINGS PER UNIT

Earnings / (loss) per unit (EPU) for the quarter ended September 30, 2010 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 period, which are given below:

	Quarter ended September 30, 2010		
	PPF Equity Sub-Fund	PPF Debt Sub-Fund	PPF Money Market Sub-Fund
Weighted average number of units	694,727	561,511	392,309

10 CONTRIBUTION TO WORKERS WELFARE FUND

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

The MUFAP, on behalf of its member AMCs, obtained legal opinions from couple of renowned law firms to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinions, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the letters suggest that provisioning was neither required nor necessary. Further, the opinions suggest that the petition filed with the High Court of Sindh be withdrawn.

The pension fund manager has not made any provision in respect of WWF based on the letter issued by Ministry of Labour and Manpower, that mutual funds are not establishments and as a result are not liable to pay contribution to WWF.

11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 25, 2010 by the Board of Directors of the Pension Fund Manager.

12 GENERAL

Figures have been rounded off to the nearest Rupees.

For Arif Habib Investments Limited
(Pension Fund Manager)

Chief Executive

Director

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



HEAD OFFICE:

Arif Habib Centre,

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