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# FUND INFORMATION

## PENSION FUND MANAGER

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi 74400, Pakistan.  
Phone: (9221) 35630722-6, 111-MEEZAN  
Fax: (9221) 35676143, 35630808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE PENSION FUND MANAGER

|                           |                 |
|---------------------------|-----------------|
| Mr. Ariful Islam          | Chairman        |
| Mr. Mohammad Shoaib, CFA  | Chief Executive |
| Mr. Tasnimul Haq Farooqui | Director        |
| Mr. Aliuddin Ansari       | Director        |
| Mr. Rizwan Ata            | Director        |
| Mr. Mazhar Sharif         | Director        |
| Syed Owais Wasti          | Director        |

## CFO & COMPANY SECRETARY OF THE PENSION FUND MANAGER

Syed Owais Wasti

## AUDIT COMMITTEE

|                           |          |
|---------------------------|----------|
| Mr. Ariful Islam          | Chairman |
| Mr. Tasnimul Haq Farooqui | Member   |
| Mr. Mazhar Sharif         | Member   |

## TRUSTEE

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S., Main Sharah-e-Faisal, Karachi.

## AUDITORS

A.F. Fergusons & Co.  
Chartered Accountants  
State Life Building No. 1-C,  
I.I. Chundrigar Road, P.O. Box 4716,  
Karachi-74000, Pakistan.

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Meezan Bank Limited  
Al Baraka Islamic Bank B.S.C (E.C)  
Bank Alfalah Limited, Islamic Banking  
MCB Bank Limited  
Habib Metropolitan Bank - Islamic Banking Branch  
Bank Al Habib Limited - Islamic Banking Branch  
Emirates Global - Islamic Banking Branch  
Dawood Islamic Bank Limited  
Askari Bank Limited - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
404, 4<sup>th</sup> Floor, Beaumont Plaza, 6-CL-10  
Beaumont Road, Civil Lines  
Karachi - 75530  
Phone: (9221) 565 7658-59  
Fax: (9221) 565 7673  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue,  
SITE, Karachi.  
Phone: 32062891  
Fax: 32552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE DIRECTORS OF PENSION FUND MANAGER

The Board of Directors of Al Meezan Investment Management Limited, the pension fund manager of Meezan Tahaffuz Pension Fund (MTPF) is pleased to present the audited annual financial statements of the fund for the year ended June 30, 2009.

### **Economic Review**

The fiscal year 2009 was one of the most volatile for global economy with challenges involving sub-prime default, financial market crisis, stock market crashes and souring commodity prices including food inflation. The economic fundamental for Pakistan were also negatively impacted by global economic downturn and led to various economic imbalances including growing fiscal and trade deficit, rising inflation, declining foreign exchange reserves etc. In all, Pakistan managed an economic growth of 2% as against a target of 5%.

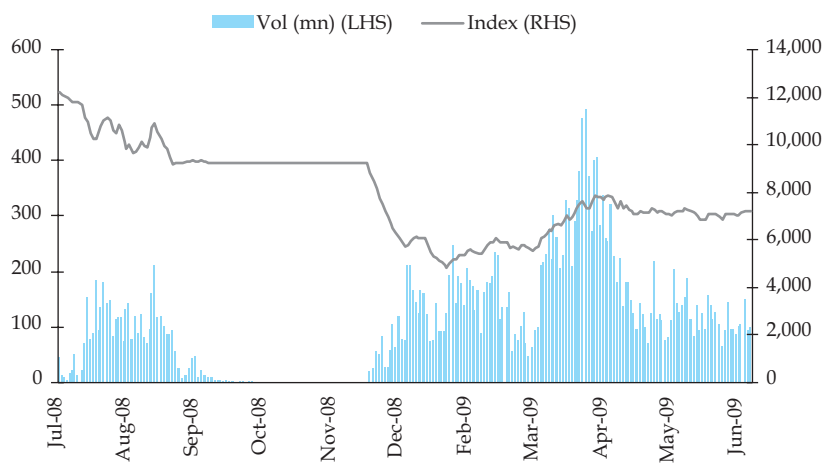
Subsequently, tight monetary stance adopted by SBP and lower commodity prices helped in easing pressure and economy steadily recovered. Lower commodity prices have continued to reduce pressure on external accounts, which along with 23-month US\$ 7.6 billion Stand-By Arrangement with IMF and other inflows, have lent some degree of stability to economy. Moreover, rescinding inflation paved the way for decline in interest rates which helped in bringing overall stability.

### **Equity Market Review**

For the equity market, fiscal year 2009 began on a bearish note in continuation of its decline in the previous year. To arrest the sharp decline, Securities and Exchange Commission of Pakistan (SECP) had changed circuit breakers to a floor of 1% and a cap of 10% at the end of fiscal year 2008. After introduction of these new limits, market volumes dried up completely, forcing SECP to revert them back to the original 5% level in early July 2008. However, unabated economic pressures continued to deteriorate investor sentiments and, to stem further downside, KSE Board of Directors on the close of August 27, 2008 (9,144 points) decided to place a floor on the index. Thus investors limited their trading to off-market counter at a 20%-50% discount from floor prices. When the index floor was removed on December 15, 2008, KSE 100 Index took a heavy correction, falling to the lowest level of 4,815 by the end of January 2009.

Apart from government administered macro stabilization measures, restoration of judges in March and consequent anticipation of political stability in the country gave a major impetus to the market and KSE 100 index began on its recovery path. Other factors contributing to the bull run were inclusion of KSE in MSCI Frontier Index, declining interest rates, incentive driven petroleum policy, and encouraging prospects of funding from the Friends of Democratic Pakistan meeting in April 2009.

Eventually, KSE-100 Index closed at the level of 7,162 posting a decline of 42% in fiscal year 2009.



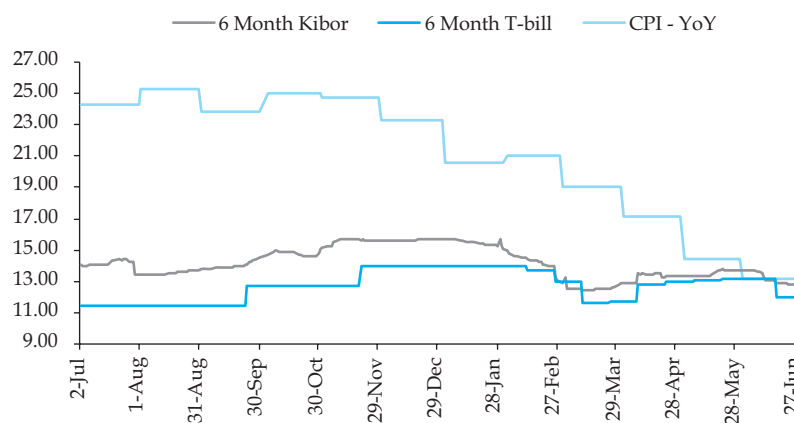
### Monetary Review

Fiscal year 2009 was a difficult year as far as monetary governance is concerned. Measures like subsidy removal, fiscal deficit management, monetary tightening and strict forex market regulations were some of the many steps taken by the government to stabilize economy. Despite all these steps, rupee remained under pressure vis-à-vis the dollar, especially in the first half, and closed the financial year 2009 at Rs 81.5, depreciating 16% during the year.

To arrest unabated inflation which reached an alarming level of 25% in first four months of fiscal year 2009 and to adhere to IMF conditions, the State Bank of Pakistan (SBP) maintained a tight stance in its monetary policy and raised the discount rate by 1% in July and subsequently 2% to 15% in November. The tight monetary stance resulted in six month KIBOR and T-bill rates to peak at 15.71% and 14.01% respectively. Later, however, money supply relaxing measures by SBP like reducing Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) for commercial banks helped to ease off liquidity crunch in the economy.

In March 2009, SBP further eased its monetary stance by reducing the discount rate by 100bps to 14%. The effect of these measures resulted in a significant drop in six month KIBOR and T-bill rates which declined from their peak by 245bps and 200bps to close at 12.76% and 12.01% respectively on June 30, 2009.

The following graph shows the trend in interest rates during the period under review:



Apart from this, to reduce government borrowing from SBP and promote Islamic mode of financing, SBP conducted three auctions of Ijara sukuks, three year Islamic bonds, selling a cumulative amount Rs.27.5billion worth of sukuks against the target of Rs.30billion. Moreover, SECP, with the assistance of Mutual Fund Association of Pakistan MUFAP, has introduced new method of valuation of fixed income securities. According to this method, prices of the instruments are revised on a fortnightly basis using yield matrix. Going forward, to further improve the efficiency or debt security trading in the secondary market, Bond Automated Trading System (BATS) will soon be introduced at KSE.

## **Operational Review**

Meezan Tahaffuz Pension Fund (MTPF) comprises of three sub funds namely Equity sub fund, Debt sub fund and Money Market sub fund. Performance review for each sub fund is given as under:

### **Equity Sub Fund**

For the year ended June 30, 2009 the equity sub fund incurred a gross loss of Rs.19.8 million, as compared to a gross profit of Rs.3.6 million in year 2008. The loss was mainly due to unrealized loss on equity securities of Rs.16.4 million (2008: unrealized loss Rs. 3.9 million) and net realized loss of Rs.2.7 million (2008: net realized gain of Rs. 2.8 million) on sale of investments. The sub fund also received dividend income of Rs.3.5 million (2008: Rs. 2.7 million) during the year. After accounting for expenses of Rs.1 million (2008: Rs. 1.5 million) the sub fund recorded a net loss of Rs.20.8 million as compared to net gain of Rs.2.1 million in the last year. The net assets of the sub fund were Rs.61.6 million as at June 30, 2009.

### **Debt Sub Fund**

For the year ended June 30, 2009 the debt sub fund earned gross income of Rs.7.8 million as compared to gross income of Rs.6.0 million in year 2008. The main contributor to the income was profit on sukuk certificates of Rs.5.0 million (2008: Rs. 1.5 million) and profit on bank saving accounts amounting to Rs.2.4 million (2008: Rs. 2.3 million). After accounting for expenses of Rs.1.3 million (2008: Rs. 1.3 million), the debt sub fund recorded a net gain of Rs.6.5 million (2008: Rs. 4.7 million). The net assets of the sub-fund were Rs 70.2 million as at June 30, 2009.

### **Money Market Sub Fund**

For the year ended June 30, 2009, money market sub fund recorded gross income of Rs.7.1 million as compared to Rs. 5.2 million in year 2008. The main contributors to the income were profit on bank deposits and placements of Rs.5.0 million (2008: Rs. 3.6 million). After accounting for expenses of Rs. 1.2 million (2008: Rs. 1.2 million), the money market sub fund recorded net profit of Rs.5.9 million (2008: Rs. 4.0 million). The net assets of the sub-fund were Rs. 61.7 million as at June 30, 2009.

### **Charity Statement**

As per Trust Deed of MTPF, Charity refers to the amount paid by the Pension Fund Manager out of the income of the Trust to a charitable/welfare organization, in consultation with Shariah Adviser, representing income, which is Haram. During the year ended June 30, 2009 an amount of Rs 0.058 million (2008: Rs. 0.051 million) was accrued as charity payable.

## **Investment Objective and Policy**

The objective of Meezan Tahaffuz Pension Fund is to provide participants with a Shariah-compliant saving mechanism whereby they can save from their current income in order to gain benefits after retirement or disability or when the other income avenues are exhausted. MTPF aims to provide participants a regular Halal income stream after retirement/disability when they no longer can earn regular income to support their living.

## **Future Outlook**

Going forward, we maintain a positive view over the future capital market performance. The expected cut in the policy rate by SBP will not only be a positive development for the equities, but as liquidity position improves, yields on fixed income securities will decline and we can witness improved prices of Sukuks and TFCs.. Apart from the interest rate cut, foreign investors have lately increased their focus on emerging markets. We anticipate that Pakistan will also have foreign portfolio inflows here onwards (as compared to a net outflow of US\$ 445million in fiscal year 2009) as our market trades at an attractive PE multiple of 7x which translates into a discount of over 50% to regional peers.

## **Appointment of Auditors**

M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible offers themselves as the auditors of the Fund for fiscal year 2010. The Board of Directors of the Pension fund manager has approved their re-appointment.

## **Acknowledgement**

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest Shariah Compliant Pension fund manager. We also thank the regulator, Securities and Exchange Commission of Pakistan and Central Depository Company of Pakistan for all their support and guidance. We also take this opportunity to thank the members of the Shariah Supervisory Board of Meezan Bank for their continued guidance and support on shariah aspects of fund management.

For and behalf of the Board

**Date: August 20, 2009  
Karachi.**

**Mohammad Shoaib, CFA  
Chief Executive**

## TRUSTEE REPORT TO THE PARTICIPANTS

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

The Meezan Tahaffuz Pension Fund (Fund), a pension fund is established under a trust deed executed between Al Meezan Investment Management Limited as the pension fund manager and Central Depository Company of Pakistan Limited as trustee on May 30, 2007.

In our opinion, Al Meezan Investment Management Limited has in all material respects managed the Fund during the year ended June 30, 2009 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

#### **Muhammad Hanif**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 26, 2009

## REPORT OF THE SHARIAH ADVISER - MEEZAN TAHAFUZ PENSION FUND

Karachi  
September 3, 2009

In the capacity of Shariah Adviser, we have prescribed five criteria for Shariah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Illiquid assets to total assets, (iv) Investment in non-Shariah compliant activities and income from non-compliant investments, and (v) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shariah compliance with the Shariah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of MTPF in light of Shariah requirements. The following is a list of investments of MTPF as on June 30, 2009 and their evaluation according to the screening criteria established by us. (The latest accounts of the Investee companies available as on March 31, 2009 have been used for the following calculations):

| Company Name                               | Nature of Business  | (i)*                  | (ii)  | (iii)                                       | (iv)                                   | (v)                                     |                 |
|--|---|-----------------------|---|---|--|---|-----------------|
|  |   | Debt to Assets (<40%) | % of Non-Shariah Compliant Investments (<33%) | Non-Compliant Income to Gross Revenue (<5%) | Illiquid Assets to Total Assets (>20%) | Net Liquid Assets vs. Share Price (B>A) | Share Price (B) |
| Attock Cement Pakistan Limited             | Cement Manufacturer   | 0.18%                 | 1.87%   | 0.33%                                       | 87%                                    | (20.28)                                 | 67.46           |
| D.G. Khan Cement Company Limited**         | Cement Manufacturer   | 41.93%**              | 6.58%   | 0.03%                                       | 95%                                    | (88.55)                                 | 21.81           |
| Engro Chemical Pakistan Limited**          | Manufacturers of Fertilizers and Chemicals                    | 51.43%**              | 0.09%   | 1.34%                                       | 87%                                    | (279.41)                                | 144.65          |
| Fauji Fertilizer Bin Qasim Limited         | Manufacturers of Fertilizers                                  | 33.21%                | 0.00%   | 3.78%                                       | 71%                                    | (17.94)                                 | 17.12           |
| Fauji Fertilizer Company Limited           | Manufacturers of Fertilizers                                  | 30.74%                | 2.59%   | 1.24%                                       | 71%                                    | (43.09)                                 | 86.92           |
| ICI Pakistan Limited                       | Manufacturers of Paints, Soda Ash, Staple Fibre and Chemicals | 1.06%                 | 0.01%   | 0.1%  | 73%                                    | (2.78)                                  | 96.18           |
| Indus Motors Company Limited               | Automobile Assembling   | 0.00%                 | 0.00%   | 0.99%                                       | 47%                                    | 1.06                                    | 73.85           |
| Oil & Gas Development Company Limited      | Exploration and Production of Oil & Gas                       | 0.00%                 | 4.77%   | 2.37%                                       | 54%                                    | 5.59                                    | 72.07           |
| Packages Limited                           | Manufacturers of Paper and Board                              | 23.83%                | 21%   | 0.69%                                       | 69%                                    | (32.36)                                 | 173.09          |
| Pak Suzuki Motors Limited                  | Automobile Assembling   | 1.53%                 | 0.00%   | 1.54%                                       | 72%                                    | 27.80                                   | 54.53           |
| Pakistan Oilfields Limited                 | Exploration and Production of Oil & Gas                       | 0.00%                 | 5.33%   | 4.78%                                       | 67%                                    | (7.41)                                  | 171.06          |
| Pakistan Petroleum Limited                 | Exploration and Production of Oil & Gas                       | 0.15%                 | 1.90%   | 4.00%                                       | 57%                                    | 9.99                                    | 173.27          |
| Pakistan State Oil Company Limited         | Distribution of Oil & Gas                                     | 15.23%                | 0.00%   | 0.00%                                       | 37%                                    | (162.66)                                | 195.94          |
| Pakistan Telecommunication Company Limited | Telecom   | 6.28%                 | 0.00%   | 3.42%                                       | 70%                                    | (6.98)                                  | 16.68           |
| Sui Northern Gas Pipeline Limited          | Distribution of Gas   | 3.03%                 | 0.00%   | 0.2%  | 61%                                    | (107.44)                                | 30.22           |
| The Hub Power Company Limited              | Producer of Power & Energy                                    | 19.92%                | 0.88%   | 0.05%                                       | 52%                                    | (8.38)                                  | 20.62           |

\* All interest based debts

\*\* The scrip become non-compliant on the basis of latest accounts and will be disinvested within the grace period.

- ii. On the basis of information provided by the management, all operations of MTPF for the year ended June 30, 2009 have been in compliance with the Shariah principles.

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

**Dr. Muhammad Imran Ashraf Usmani**  
**Shariah Adviser**

## INDEPENDENT ASSURANCE PROVIDER'S REPORT ON SHARIAH COMPLIANCE TO THE PARTICIPANTS

We have performed our independent assurance engagement of Meezan Tahaffuz Pension Fund (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Adviser of Meezan Tahaffuz Pension Fund for the year ended June 30, 2009.

### **Management company's responsibility**

Management company of the Fund is responsible for the appointment of Shariah Adviser of the Fund and for compliance with the Shariah guidelines prescribed by the Shariah Adviser. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the compliance based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied with the guidelines issued by the Shariah Adviser.

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments, we have considered internal controls relevant to the entity's compliance with the guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of entity's internal control.

### **Conclusion**

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund for the year ended June 30, 2009.

**Chartered Accountants  
Karachi, September 24, 2009**

## AUDITORS' REPORT TO THE PARTICIPANTS

We have audited the annexed financial statements comprising:-

- i) Balance Sheet;
- ii) Income Statement;
- iii) Cash flow statement;
- iv) Statement of movement in Participants' Sub-Funds;
- v) Contribution table; and
- vi) Number of units in issue.

of **Meezan Tahaffuz Pension Fund** as at June 30, 2009 and for the year ended June 30, 2009 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 Pension Fund in conformity with the International Accounting Standards notified under sub-section (3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pension System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion: -

- a) the financial statements prepared for the year have been properly drawn up in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b) a true and fair view is given of the financial position of the Pension Fund as at June 30, 2009 and of the transactions of the Pension Fund 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 Pension Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Pension Fund;
- e) proper books and records have been kept by the Pension Fund and the financial statements prepared are in agreement with the Pension Fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**Chartered Accountants**  
**Karachi, September 24, 2009**

**Audit Engagement Partner: Saad Kaliya**

## BALANCE SHEET AS AT JUNE 30, 2009

|   | Note | June 30, 2009   |                |                       |                | June 30, 2008  |
|---|------|-----------------|----------------|-----------------------|----------------|----------------|
|   |      | Equity Sub Fund | Debt Sub Fund  | Money Market Sub Fund | Total          | Total          |
| ----- <b>(Rupees in '000)</b> -----       |      |                 |                |                       |                |                |
| <b>Assets</b>                             |      |                 |                |                       |                |                |
| Balances with banks                       | 5    | 5,364           | 16,404         | 26,148                | 47,916         | 58,985         |
| Placements                                | 6    | -               | 13,950         | 13,950                | 27,900         | 26,250         |
| Receivable against sale of investments    |      | 228             | -              | -                     | 228            | 751            |
| Investments at fair value                 |      |                 |                |                       |                |                |
| through profit or loss                    | 7    | 56,900          | 37,988         | 19,467                | 114,355        | 93,903         |
| Financial instruments sold on             |      |                 |                |                       |                |                |
| deferred settlement basis                 | 8    | -               | -              | -                     | -              | 251            |
| Dividend receivable                       |      | 363             | -              | -                     | 363            | 480            |
| Profit receivable                         | 9    | 100             | 2,057          | 2,230                 | 4,387          | 3,110          |
| Formation costs                           | 10   | 80              | 80             | 80                    | 240            | 489            |
| Deposit with Central Depository           |      |                 |                |                       |                |                |
| Company of Pakistan Limited (CDC)         |      | 100             | 100            | 100                   | 300            | 300            |
| Other receivables                         |      | -               | -              | -                     | -              | 1,612          |
| <b>Total assets</b>                       |      | <u>63,135</u>   | <u>70,579</u>  | <u>61,975</u>         | <u>195,689</u> | <u>186,131</u> |
| <b>Liabilities</b>                        |      |                 |                |                       |                |                |
| Payable against purchase of investments   |      | 923             | -              | -                     | 923            | 2,631          |
| Payable to Al-Meezan Investment           |      |                 |                |                       |                |                |
| Management Limited -                      |      |                 |                |                       |                |                |
| pension fund manager                      | 11   | 413             | 307            | 180                   | 900            | 599            |
| Payable to Central Depository Company of  |      |                 |                |                       |                |                |
| Pakistan Limited - trustee of the fund    | 12   | 22              | 28             | 25                    | 75             | 25             |
| Payable to auditors                       |      | 50              | 50             | 50                    | 150            | 180            |
| Payable to Securities and Exchange        |      |                 |                |                       |                |                |
| Commission of Pakistan                    | 13   | 16              | 21             | 19                    | 56             | 59             |
| Accrued expenses and other liabilities    | 14   | 109             | 1              | 1                     | 111            | 1,679          |
| <b>Total liabilities</b>                  |      | <u>1,533</u>    | <u>407</u>     | <u>275</u>            | <u>2,215</u>   | <u>5,173</u>   |
| <b>Net assets</b>                         |      | <u>61,602</u>   | <u>70,172</u>  | <u>61,700</u>         | <u>193,474</u> | <u>180,958</u> |
| <b>Deferred sale commitments</b>          | 8    |                 |                |                       |                |                |
| <b>Participants' sub-funds</b>            |      |                 |                |                       |                |                |
| (as per statement attached)               |      | <u>61,602</u>   | <u>70,172</u>  | <u>61,700</u>         | <u>193,474</u> | <u>180,958</u> |
| <b>Number of units in issue</b>           |      |                 |                |                       |                |                |
| (as per statement attached)               |      | <u>803,092</u>  | <u>589,426</u> | <u>517,073</u>        |                |                |
| <b>Net assets value per unit (Rupees)</b> |      | <u>76.71</u>    | <u>119.05</u>  | <u>119.33</u>         |                |                |

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

**For Al Meezan Investment Management Limited  
(Pension Fund Manager)**

**Chief Executive**

**Director**

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

|  | For the year ended June 30, 2009 |                  |                          |                | For the<br>period June<br>16, 2007 to<br>June 30, 2008 |               |
|--|----------------------------------|------------------|--------------------------|----------------|--|---------------|
|  | Equity Sub<br>Fund               | Debt Sub<br>Fund | Money Market<br>Sub Fund | Total          | Total  |               |
| ------(Rupees in '000)-----  |                                  |                  |                          |                |  |               |
| <b>Income</b>  |                                  |                  |                          |                |  |               |
| Profit on sukuk certificates   | -                                | 5,024            | 2,050                    | 7,074          | 1,770  |               |
| Profit on savings accounts with banks  | 298                              | 2,378            | 3,177                    | 5,853          | 6,006  |               |
| Profit on placements   | -                                | 948              | 1,843                    | 2,791          | 2,794  |               |
| Unrealised loss on re-measurement of investments<br>at fair value through profit or loss (net)                                   | (16,411)                         | (1,215)          | (209)                    | (17,835)       | (4,161)  |               |
| Gain on re-measurement of financial instruments<br>sold on deferred settlement basis   | -                                | -                | -                        | -              | 251  |               |
| Net realised (loss) / gain on sale of investments  | (2,670)                          | 90               | 167                      | (2,413)        | 4,322  |               |
| Dividend income  | 3,474                            | -                | -                        | 3,474          | 2,726  |               |
| Element of (loss) / income and capital (losses) / gains included<br>in prices of units issued less those in units redeemed (net) | (4,492)                          | 548              | 97                       | (3,847)        | 1,179  |               |
| <b>Total (loss) / income</b>   | <u>(19,801)</u>                  | <u>7,773</u>     | <u>7,125</u>             | <u>(4,903)</u> | <u>14,887</u>  |               |
| <b>Expenses</b>  |                                  |                  |                          |                |  |               |
| Remuneration of Al Meezan Investment Management Limited -<br>pension fund manager  | 11.1                             | 721              | 965                      | 874            | 2,560  | 2,666         |
| Remuneration of Central Depository Company of Pakistan<br>Limited - trustee of the fund  |                                  | 84               | 113                      | 102            | 299  | 313           |
| Annual fee of Securities and Exchange Commission of Pakistan   | 13                               | 16               | 21                       | 19             | 56   | 59            |
| Auditors' remuneration   | 15                               | 75               | 75                       | 75             | 225  | 252           |
| Amortisation of formation cost   | 10                               | 83               | 83                       | 83             | 249  | 261           |
| Securities' transaction cost   |                                  | 45               | 8                        | 2              | 55   | 391           |
| Custody and settlement charges   |                                  | 7                | 6                        | 6              | 19   | 23            |
| Legal advisory fee   |                                  | 7                | 7                        | 6              | 20   | -             |
| Bank charges   |                                  | 2                | 3                        | 2              | 7  | 14            |
| <b>Total expenses</b>  |                                  | <u>1,040</u>     | <u>1,281</u>             | <u>1,169</u>   | <u>3,490</u>   | <u>3,979</u>  |
| <b>Net (loss) / income</b>   |                                  | <u>(20,841)</u>  | <u>6,492</u>             | <u>5,956</u>   | <u>(8,393)</u>   | <u>10,908</u> |
| <b>(Loss) / earnings per unit outstanding - basic (Rupees)</b>   | 16                               | <u>(25.95)</u>   | <u>11.01</u>             | <u>11.52</u>   |  |               |

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

**For Al Meezan Investment Management Limited  
(Pension Fund Manager)**

**Chief Executive**

**Director**

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

|   | For the year ended June 30, 2009 |                 |                       |                 | For the period June 16, 2007 to June 30, 2008 |
|---|----------------------------------|-----------------|-----------------------|-----------------|---|
|   | Equity Sub Fund                  | Debt Sub Fund   | Money Market Sub Fund | Total           | Total   |
| <b>Note -----(Rupees in '000)-----</b>  |                                  |                 |                       |                 |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                  |                 |                       |                 |   |
| Net (loss) / income   | (20,841)                         | 6,492           | 5,956                 | (8,393)         | 10,908  |
| <b>Adjustments for :</b>  |                                  |                 |                       |                 |   |
| Dividend income   | (3,474)                          | -               | -                     | (3,474)         | (2,726)                                       |
| Profit on sukuk certificates  | -                                | (5,024)         | (2,050)               | (7,074)         | (1,770)                                       |
| Profit on savings accounts with banks   | (298)                            | (2,378)         | (3,177)               | (5,853)         | (6,006)                                       |
| Profit on placements  | -                                | (948)           | (1,843)               | (2,791)         | (2,794)                                       |
| Unrealised loss on re-measurement of investments at fair value through profit or loss                                       | 16,411                           | 1,215           | 209                   | 17,835          | 4,161   |
| Gain on re-measurement of financial instruments sold on deferred settlement basis   | -                                | -               | -                     | -               | (251)   |
| Amortisation of formation cost  | 83                               | 83              | 83                    | 249             | 261   |
| Element of (loss) / income and capital loss / (gains) included in prices of units issued less those in units redeemed (net) | 4,492                            | (548)           | (97)                  | 3,847           | (1,179)                                       |
|   | (3,627)                          | (1,108)         | (919)                 | (5,654)         | 604   |
| <b>(Increase) / decrease in assets</b>  |                                  |                 |                       |                 |   |
| Placements  | -                                | (8,200)         | 6,550                 | (1,650)         | (26,250)                                      |
| Receivable against sale of investments  | (228)                            | 751             | -                     | 523             | (751)   |
| Investments at fair value through profit or loss  | (10,572)                         | (17,544)        | (10,171)              | (38,287)        | (98,064)                                      |
| Financial Instrument sold on deferred settlement basis  | -                                | 85              | 166                   | 251             | -   |
| Formation costs   | -                                | -               | -                     | -               | (750)   |
| Deposit with CDC  | -                                | -               | -                     | -               | (300)   |
| Other receivables   | -                                | 436             | 399                   | 835             | (1,612)                                       |
|   | (10,800)                         | (24,472)        | (3,056)               | (38,328)        | (127,727)                                     |
| <b>Increase / (decrease) in liabilities</b>   |                                  |                 |                       |                 |   |
| Payable against purchase of investments   | (1,708)                          | -               | -                     | (1,708)         | 2,631   |
| Payable to Al-Meezan Investment Management Limited - pension fund manager   | 162                              | 112             | 27                    | 301             | 599   |
| Payable to Central Depository Company of Pakistan Limited - trustee of the fund   | 13                               | 20              | 17                    | 50              | 25  |
| Payable to auditors   | (10)                             | (10)            | (10)                  | (30)            | 180   |
| Payable to Securities and Exchange Commission of Pakistan   | (6)                              | 2               | 1                     | (3)             | 59  |
| Accrued expenses and other liabilities  | (783)                            | (4)             | (4)                   | (791)           | 1,679   |
|   | (2,332)                          | 120             | 31                    | (2,181)         | 5,173   |
| Dividend received   | 3,591                            | -               | -                     | 3,591           | 2,246   |
| Profit received on savings accounts with banks  | 287                              | 2,586           | 2,868                 | 5,741           | 4,961   |
| Profit received on sukuk certificates   | -                                | 4,176           | 1,493                 | 5,669           | 928   |
| Profit received on placements with banks  | -                                | 971             | 2,060                 | 3,031           | 1,571   |
| <b>Net cash (outflow) / inflow from operating activities</b>  | <b>(12,881)</b>                  | <b>(17,727)</b> | <b>2,477</b>          | <b>(28,131)</b> | <b>(112,244)</b>                              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                  |                 |                       |                 |   |
| Receipts of contribution  | 12,537                           | 6,036           | 1,523                 | 20,096          | 171,229                                       |
| Payment on withdrawal   | (569)                            | (1,903)         | (562)                 | (3,034)         | -   |
| <b>Net cash inflow from financing activities</b>  | <b>11,968</b>                    | <b>4,133</b>    | <b>961</b>            | <b>17,062</b>   | <b>171,229</b>                                |
| Net cash (outflow) / inflow during the year   | (913)                            | (13,594)        | 3,438                 | (11,069)        | 58,985  |
| Cash and cash equivalents at the beginning of the year  | 6,277                            | 29,998          | 22,710                | 58,985          | -   |
| Cash and cash equivalents at the end of the year  | 5,364                            | 16,404          | 26,148                | 47,916          | 58,985  |

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

**For Al Meezan Investment Management Limited  
(Pension Fund Manager)**

**Chief Executive**

**Director**

## STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB-FUNDS FOR THE YEAR ENDED JUNE 30, 2009

|   | For the year ended June 30, 2009 |                  |                          |                | For the<br>period June<br>16, 2007 to<br>June 30, 2008 |
|---|----------------------------------|------------------|--------------------------|----------------|--|
|   | Equity Sub<br>Fund               | Debt Sub<br>Fund | Money Market<br>Sub Fund | Total          | Total  |
|   | ----- (Rupees in '000) -----     |                  |                          |                |  |
| Net assets at the beginning of the year / period  | 65,983                           | 60,095           | 54,880                   | 180,958        | -  |
| Amount received on issue of units<br>(2009: Equity sub fund: 170,965 units; Debt sub fund: 52,149 units;<br>Money market sub fund: 13,411 units)<br>(2008: Equity sub fund: 638,489 units; Debt sub fund: 553,580 units;<br>Money market sub fund: 508,430 units) | 12,537                           | 6,036            | 1,523                    | 20,096         | 171,229  |
| Amount paid on redemption / conversion of units<br>(2009: Equity sub fund: 6,362 units; Debt sub fund: 16,303 units;<br>Money market sub fund: 4,768 units)<br>(2008: Equity sub fund: nil units; Debt sub fund: nil units;<br>Money market sub fund: nil units)  | (569)                            | (1,903)          | (562)                    | (3,034)        | -  |
|   | 11,968                           | 4,133            | 961                      | 17,062         | 171,229  |
| Element of loss / (income) and capital losses / (gains) included<br>in prices of units issued less those in units redeemed (net)  | 4,492                            | (548)            | (97)                     | 3,847          | (1,179)  |
| Net (loss) / income for the year / period   | (20,841)                         | 6,492            | 5,956                    | (8,393)        | 10,908   |
| Net assets at the end of the year / period  | <u>61,602</u>                    | <u>70,172</u>    | <u>61,700</u>            | <u>193,474</u> | <u>180,958</u>   |

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

**For Al Meezan Investment Management Limited  
(Pension Fund Manager)**

**Chief Executive**

**Director**

## CONTRIBUTION TABLE FOR THE YEAR ENDED JUNE 30, 2009

| Contributions net of front end fee received during the period | For the year ended June 30, 2009 |                      |                      |                     |                       |                     |                        | For the period June 16, 2007 to June 30, 2008 |
|---|----------------------------------|----------------------|----------------------|---------------------|-----------------------|---------------------|------------------------|---|
|   | Equity sub found                 |                      | Debt sub found       |                     | Money Market Sub Fund |                     | Total (Rupees in '000) | Total (Rupees in '000)                        |
|   | Units                            | Rs in '000           | Units                | Rs in '000          | Units                 | Rs in '000          |                        |   |
|   | ------(Rupees in '000)-----      |                      |                      |                     |                       |                     |                        |   |
| Individuals - issue of units                                  | 152,823                          | 11,163               | 52,149               | 6,036               | 13,411                | 1,523               | 18,722                 | 21,229  |
| - reallocation of units                                       | 18,142                           | 1,374                | (10,707)             | (1,264)             | (926)                 | (110)               | -                      | -   |
|   | <u>170,965</u>                   | <u>12,537</u>        | <u>41,442</u>        | <u>4,772</u>        | <u>12,485</u>         | <u>1,413</u>        | <u>18,722</u>          | <u>21,229</u>                                 |
| Issue of core units to Pension Fund Manager                   | -                                | -                    | -                    | -                   | -                     | -                   | -                      | 150,000                                       |
| <b>Total</b>  | <u><u>170,965</u></u>            | <u><u>12,537</u></u> | <u><u>41,442</u></u> | <u><u>4,772</u></u> | <u><u>12,485</u></u>  | <u><u>1,413</u></u> | <u><u>18,722</u></u>   | <u><u>171,229</u></u>                         |

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

**For Al Meezan Investment Management Limited  
(Pension Fund Manager)**

**Chief Executive**

**Director**

**NUMBER OF UNITS IN ISSUE  
FOR THE YEAR ENDED JUNE 30, 2009**

|  | For the year ended June 30, 2009 |                |                       |
|--|----------------------------------|----------------|-----------------------|
|  | Equity Sub Fund                  | Debt Sub Fund  | Money market Sub Fund |
|  | -----Number of units-----        |                |                       |
| Total units outstanding at the beginning of the year           | 638,489                          | 553,580        | 508,430               |
| Add: units issued converted / reallocated during the year      | 170,965                          | 52,149         | 13,411                |
| Less: units redeemed / converted / reallocated during the year | (6,362)                          | (16,303)       | (4,768)               |
| Total units in issue at the end of the year                    | <u>803,092</u>                   | <u>589,426</u> | <u>517,073</u>        |

|                                | For the period June 16, 2007 to June 30, 2008 |                |                       |
|--------------------------------|---|----------------|-----------------------|
|                                | Equity sub fund                               | Debt sub fund  | Money market sub fund |
|                                | -----Number of units-----                     |                |                       |
| Units issued during the period | <u>638,489</u>                                | <u>553,580</u> | <u>508,430</u>        |

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

**For Al Meezan Investment Management Limited  
(Pension Fund Manager)**

**Chief Executive**

**Director**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Tahaffuz Pension Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (AMIML) as pension fund manager and Central Depository Company of Pakistan Limited (CDC) as trustee. The Trust Deed was executed and approved by the Securities and Exchange Commission of Pakistan (SECP) on May 30, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). The registered office of the pension fund manager of the Fund, is situated in Finance and Trade Centre Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 Meezan Tahaffuz Pension Fund (MTPF) offers a saving mechanism where an individual saves from his/her income during work life in order to retain financial security and comfort in terms of regular income stream after retirement. The Fund initially comprises of three sub funds namely equity sub-fund, debt sub-fund and money market sub-fund. Participants are offered various investment allocation schemes depending on their investment horizon, return requirements, risk tolerance and any unique circumstances. Allocation scheme can be selected initially at the time of opening of account and subsequently at anniversary of the account. The contributions from participants are invested in various instruments belonging to different asset classes to get full benefits of risk minimisation through diversification.
- 1.3 The Fund has been formed to enable the participants to contribute in a diversified portfolio of securities, which are shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on shariah. The pension fund manager has appointed Meezan Bank Limited (MBL) as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of shariah. The pension fund manager of the Fund is registered with SECP as a Non-Banking Finance Company under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.4 The Fund is an open-ended un listed fund. Units are offered for public subscription on a continuous basis. The units are non-transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.

### 2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah adviser are accounted for on substance rather than the form prescribed by the aforementioned guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

### 3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the Companies Ordinance, 1984, the VPS Rules, the Trust Deed and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the trust deed, the VPS Rules and the said directives differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the trust deed, the VPS Rules and the said directives take precedence.

### 3.2 Standards, amendments and interpretations effective during the year ended June 30, 2009:

During the year, IFRS 7 'Financial Instruments : Disclosures' became effective. This IFRS has superseded IAS 30 and the disclosure requirements of IAS 32. The presentation requirements of IAS 32 remain unchanged. This IFRS requires disclosures in the financial statements that enable users to evaluate:

- (a) the significance of financial instruments for the entity's financial position and performance; and
  - (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- Such disclosures have been set out in note 18 to these financial statements.

Certain standards, amendments and interpretations to the approved accounting standards were mandatory for accounting periods beginning on or after July 1, 2008 but are considered not to be relevant or have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

### 3.3 Standards, amendments and interpretations to published approved accounting standards that are not yet effective:

IFRS 7 (Amendment), 'Financial instruments: Disclosures' (effective from January 1, 2009) introduces enhanced disclosures relating to liquidity risk and fair value measurements. However, it does not have any impact on the classification and valuation of the financial instruments.

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments are carried at fair value in accordance with the criteria laid down in the International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

### 4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the pension fund manager to exercise its judgment in the process of applying its accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements are as follows:

- (a) Classification and valuation of financial instruments (notes 4.3, 4.4, 4.5, 7 and 8)
- (b) Amortisation of formation costs (note 4.10)
- (c) Provision for current and deferred taxation (note 4.12)
- (d) Impairment of financial instruments (note 4.3.5)

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## 4.3 Financial instruments

### 4.3.1 The Fund classifies its financial instruments in the following categories:

(a) Investments 'at fair value through profit or loss':

- Financial instruments 'held-for-trading'

These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

- Financial instruments designated 'at fair value through profit or loss upon initial recognition'

These include investments that are designated as investments at fair value through 'profit or loss' upon initial recognition.

(b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

(c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available for sale.

(d) Available for sale

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

### 4.3.2 Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

The Fund follows trade date accounting for purchase and sale of investments. Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

### 4.3.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a 'financial asset or financial liability not at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on 'financial assets and financial liabilities at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the income statement. Changes in the fair value of instruments classified as 'available for sale' are recognised in equity until derecognised or impaired when the accumulated fair value adjustments recognised in equity are included in the income statement.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

#### 4.3.4 Fair value measurement principles

The fair value of equity securities and financial instruments sold on deferred settlement basis is based on the price quoted on Karachi Stock Exchange. The fair value of debt securities is based on broker rates or price quoted on Mutual Fund Association of Pakistan at the balance sheet date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

The fair value of unlisted securities are determined by using fair value method as allowed under IAS 39.

#### 4.3.5 Impairment

Impairment loss on investment other than 'available for sale' is recognised in the income statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the income statement.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered 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 profit or loss is removed from equity and recognised in the income statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in equity.

#### 4.3.6 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flow from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### 4.4 Transactions involving outright purchase of security in the ready market and sale of that security on deferred settlement basis.

The Fund enters into certain transactions involving purchase of security in the ready market and sale of the same security on deferred settlement basis. Securities purchased by the company in the ready market are carried on the balance sheet, till eventual disposal, in accordance with the accounting policy specified in note 4.3 above, and sale of those securities in the futures market is accounted for separately as financial instruments sold on deferred settlement basis.

#### 4.5 Financial instruments sold on deferred settlement basis

Financial instruments sold on deferred settlement basis are initially recognised at fair value on the date on which a deferred sale contract is entered into and are subsequently remeasured at their fair value. All financial instruments sold on deferred settlement basis are carried as assets when fair value is positive and as liabilities when fair value is negative.

#### 4.6 Participants' fund

Participants' fund representing the units issued by the Fund, are carried at the net asset value representing the investors' right to a residual interest in the Fund's assets.

#### 4.7 Issue, allocation, reallocation and redemption of units

Contribution received in the individual pension account after deduction of takaful premium, if any, followed by front end fee, is used to purchase the units of sub-funds of the pension fund according to the allocation scheme selected by the participant. The units are allotted at the net asset value notified by the pension fund manager at the close of that dealing day (forward pricing) for each sub-fund. The front end fee is payable to the distributors and the pension fund manager.

The Pension Fund Manager makes reallocation of the sub-fund units between the sub-funds atleast 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.

Withdrawals made are used to redeem units of the sub-funds of the pension fund, according to the allocation scheme of the participant, at the net asset value prevalent on the date on which the distributors receive redemption application during business hours on that date.

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

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

The net element of accrued income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is taken to the income statement.

#### 4.9 Provisions

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

#### 4.10 Formation costs

Formation cost represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of three years commencing from June 16, 2007 in accordance with the requirement of the trust deed of the Fund.

#### 4.11 Net assets value per unit of each sub-fund

The net assets value (NAV) per unit is calculated by dividing the net assets of each sub-fund by the number of units in issue at period end.

#### 4.12 Taxation

##### Current

The income of the Fund is exempt from income tax under clause 57(3)(viii) of part I of the Second Schedule to the Income Tax Ordinance, 2001.

Deferred

The Fund is exempt from tax therefore no temporary difference would arise.

#### 4.13 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the income currently and are recognised on the date at when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as 'financial asset at fair value through profit or loss' are included in the income statement in the period in which they arise.
- (iii) Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the income statement.
- (iv) Dividend income is recognised when the Fund's right to receive the payment is established.
- (v) Profit on savings accounts with banks and investments in debt instruments are recorded on accrual basis.

#### 4.14 Expenses

All expenses, including management fee and trustee fee, are recognised in the income statement on an accrual basis.

#### 4.15 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 4.16 Zakat

Units held by resident Pakistani participants are subject to zakat at 2.5% of the face value or redemption value, whichever is lower, of units, under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), except those exempted. Zakat is deducted at source from the redemption / withdrawal payment.

#### 4.17 Cash and cash equivalents

Cash comprises current and savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

#### 4.18 Dividend and bonus units

Distribution of dividend or bonus units is not allowed under the Rules.

## 5. BALANCES WITH BANKS

|                              | Note        | June 30, 2009   |               |                       | June 30, 2008 |
|------------------------------|-------------|-----------------|---------------|-----------------------|---------------|
|                              |             | Equity Sub Fund | Debt Sub Fund | Money Market Sub Fund | Total         |
| ----- (Rupees in '000) ----- |             |                 |               |                       |               |
| Current accounts             |             | 76              | 11            | -                     | 87            |
| Savings accounts             | 5.1 and 5.2 | 5,288           | 16,393        | 26,148                | 47,829        |
|                              |             | <u>5,364</u>    | <u>16,404</u> | <u>26,148</u>         | <u>47,916</u> |
|                              |             |                 |               |                       | <u>58,985</u> |

- 5.1 The balances in savings accounts bear expected profit which ranges from 4.97 % to 15 % (2008 : 3% to 9.5%) per annum.
- 5.2 Includes an aggregate amount of Rs 5.193 million received in the Fund's collection account which was subsequently transferred to these sub-funds.

## 6. PLACEMENTS

Placements carry expected profit at rates ranging from 9.85 percent per annum to 13.75 percent per annum (2008: 9.85 percent to 10.35 percent per annum) and are due to mature during the period from July 5, 2008 to August 9, 2009.

## 7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | Note | June 30, 2009   |               |                       | June 30, 2008  |
|---|------|-----------------|---------------|-----------------------|----------------|
|   |      | Equity Sub Fund | Debt Sub Fund | Money Market Sub Fund | Total          |
| ----- (Rupees in '000) -----  |      |                 |               |                       |                |
| Held for trading - shares of listed companies                             | 7.1  | 56,900          | -             | -                     | 56,900         |
| - sukuk certificates  | 7.2  | -               | 15,000        | 17,500                | 32,500         |
|   |      | <u>56,900</u>   | <u>15,000</u> | <u>17,500</u>         | <u>89,400</u>  |
|   |      |                 |               |                       | <u>74,348</u>  |
| Investments at fair value through profit or loss upon initial recognition | 7.3  | -               | 22,988        | 1,967                 | 24,955         |
|   |      | <u>56,900</u>   | <u>37,988</u> | <u>19,467</u>         | <u>114,355</u> |
|   |      |                 |               |                       | <u>93,903</u>  |

## 7.1 Held for trading - shares of listed companies

| Name of the investee company                            | As at July 1, 2008 | Purchases during the period | Cost of purchase | Bonus / rights issue | Sales during the period | As at June 30, 2009 | Carrying value as at June 30, 2009 | Market value as at June 30, 2009 | Unrealised gain / (loss) | Percentage of net assets on the basis of market value (See note 7.1.2 below) | Percentage of paid up capital of investee company |
|---|--------------------|-----------------------------|------------------|----------------------|-------------------------|---------------------|------------------------------------|----------------------------------|--------------------------|--|---|
|   | Number of shares   | Rs in '000                  | Rs in '000       | Number of shares     | Number of shares        | Rupees in '000      | Rupees in '000                     | Rupees in '000                   |                          |  |   |
| <b>EQUITY SUB FUND</b>                                  |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| <b>Automobile assembler</b>                             |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Indus Motor Company Limited                             | 2,346              | 6,500                       | 769              | -                    | -                       | 8,846               | 1,239                              | 953                              | (286)                    | 1.55   | 0.12  |
| Pak Suzuki Motor Company Limited                        | 6,000              | 8,000                       | 1,321            | -                    | -                       | 14,000              | 1,271                              | 951                              | (320)                    | 1.54   | 0.12  |
| <b>Paper and board</b>                                  |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Packages Limited  | 11,500             | 11,900                      | 1,916            | -                    | -                       | 23,400              | 4,813                              | 3,675                            | (1,138)                  | 5.97   | 0.44  |
| <b>Power generation and distribution</b>                |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| The Hub Power Company Limited                           | 190,000            | 6,500                       | 176              | -                    | -                       | 196,500             | 5,610                              | 5,323                            | (287)                    | 8.64   | 0.05  |
| <b>Oil and gas exploration companies</b>                |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Oil and Gas Development Company Limited                 | 51,000             | 29,200                      | 1,702            | -                    | (8,000)                 | 72,200              | 7,228                              | 5,678                            | (1,550)                  | 9.22   | 0.01  |
| Pakistan Oilfields Limited                              | 13,000             | 15,800                      | 2,346            | 2,600                | -                       | 31,400              | 7,067                              | 4,581                            | (2,486)                  | 7.44   | 0.19  |
| Pakistan Petroleum Limited                              | 19,800             | -                           | -                | 1,980                | -                       | 21,780              | 4,871                              | 4,128                            | (743)                    | 6.70   | 0.05  |
| <b>Oil and gas marketing companies</b>                  |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Pakistan State Oil Company Limited                      | 13,000             | 13,400                      | 2,837            | -                    | -                       | 26,400              | 8,261                              | 5,640                            | (2,621)                  | 9.16   | 0.33  |
| Sui Northern Gas Pipeline Limited                       | 47,600             | -                           | -                | -                    | (15,800)                | 31,800              | 1,385                              | 1,016                            | (369)                    | 1.65   | 0.02  |
| <b>Chemicals</b>  |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| ICI Pakistan Limited                                    | 30,200             | 21,000                      | 2,135            | -                    | (20,000)                | 31,200              | 4,296                              | 4,376                            | 80                       | 7.10   | 0.32  |
| <b>Technology and communication</b>                     |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Pakistan Telecommunication Company Limited              | 135,500            | 54,000                      | 1,471            | -                    | (10,000)                | 179,500             | 6,328                              | 3,094                            | (3,234)                  | 5.02   | 0.01  |
| <b>Fertilizer</b>                                       |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Engro Chemical Pakistan Limited                         | 18,700             | 3,000                       | 671              | 8,680                | (14,000)                | 16,380              | 2,533                              | 2,104                            | (429)                    | 3.42   | 0.07  |
| Fauji Fertilizer Bin Qasim Limited                      | 130,000            | 105,000                     | 2,048            | -                    | -                       | 235,000             | 6,713                              | 4,157                            | (2,556)                  | 6.75   | 0.04  |
| Fauji Fertilizer Company Limited                        | 45,000             | 2,600                       | 227              | 16,875               | -                       | 64,475              | 6,181                              | 5,606                            | (575)                    | 9.10   | 0.08  |
| <b>Cement</b>   |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Attock Cement Pakistan Limited                          | 38,500             | -                           | -                | -                    | (16,700)                | 21,800              | 1,681                              | 1,531                            | (150)                    | 2.49   | 0.21  |
| DG Khan Cement Company Limited                          | 12,000             | 8,500                       | 514              | 4,100                | (20,500)                | 4,100               | 82                                 | 122                              | 40                       | 0.20   | -   |
| Lucky Cement Limited                                    | -                  | 65,800                      | 3,415            | -                    | (10,000)                | 55,800              | 3,040                              | 3,266                            | 226                      | 5.30   | 0.10  |
| Miscellaneous   |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Tri-Pack Flims Limited                                  | -                  | 7,000                       | 712              | -                    | -                       | 7,000               | 712                                | 699                              | (13)                     | 1.13   | 0.23  |
| <b>Total</b>  |                    |                             |                  |                      |                         |                     | <b>73,311</b>                      | <b>56,900</b>                    | <b>(16,411)</b>          |  |   |
| <b>DEBT SUB FUND</b>                                    |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| <b>Securities sold under deferred sale arrangements</b> |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| <b>Textile composite</b>                                |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Nishat Mills Limited                                    | -                  | 25,000                      | 1,775            | -                    | (25,000)                | -                   | -                                  | -                                | -                        | -  | -   |
| <b>Oil and gas exploration company</b>                  |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Pakistan Oilfields Limited                              | 2,000              | -                           | -                | -                    | (2,000)                 | -                   | -                                  | -                                | -                        | -  | -   |
| <b>Fertilizer</b>                                       |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Engro Chemical Pakistan Limited                         | 11,000             | 11,000                      | 2,403            | -                    | (22,000)                | -                   | -                                  | -                                | -                        | -  | -   |
| <b>Cement</b>   |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| DG Khan Cement Company Limited                          | 11,500             | -                           | -                | -                    | (11,500)                | -                   | -                                  | -                                | -                        | -  | -   |
| <b>Total</b>  |                    |                             |                  |                      |                         |                     | <b>-</b>                           | <b>-</b>                         | <b>-</b>                 |  |   |
| <b>MONEY MARKET SUB FUND</b>                            |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Securities sold under deferred sale arrangements        |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| <b>Oil and gas exploration company</b>                  |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Pakistan Oilfields Limited                              | 10,000             | -                           | -                | -                    | (10,000)                | -                   | -                                  | -                                | -                        | -  | -   |
| <b>Fertilizer</b>                                       |                    |                             |                  |                      |                         |                     |                                    |                                  |                          |  |   |
| Engro Chemical Pakistan Limited                         | 12,000             | 12,000                      | 2,610            | -                    | (24,000)                | -                   | -                                  | -                                | -                        | -  | -   |
| <b>Total</b>  |                    |                             |                  |                      |                         |                     | <b>-</b>                           | <b>-</b>                         | <b>-</b>                 |  |   |

7.1.1 All shares have a nominal value of Rs 10 each.

7.1.2 Net assets are as defined in rule 2(1)(m) of Voluntary Pension System Rules, 2005.

7.1.3 The SECP through its letter No. 24(3) SEC/SCD/PW-AMIML/2007 dated June 27, 2007 has relaxed the investment limits prescribed in Circular 8 of 2005 dated July 15, 2005.

7.2 Held for trading - sukuk certificates

| Name of the investee company | Maturity date | Profit rate | Purchases during the year | Sales / redemptions during the year | As at June 30, 2009 | Cost as at June 30, 2009 | Market value as at June 30, 2009 | Unrealised gain / (loss) | Percentage of net assets on the basis of market value see note 7.1.2 above) |
|------------------------------|---------------|-------------|---------------------------|-------------------------------------|---------------------|--------------------------|----------------------------------|--------------------------|---|
|                              |               |             |                           |                                     |                     |                          |                                  |                          |   |

**Debt Sub Fund**

|                                |                |       |     |   |     |        |        |   |       |
|--------------------------------|----------------|-------|-----|---|-----|--------|--------|---|-------|
| GoP - Ijara sukuk (note 7.2.1) | March 11, 2012 | 12.96 | 150 | - | 150 | 15,000 | 15,000 | - | 21.38 |
|--------------------------------|----------------|-------|-----|---|-----|--------|--------|---|-------|

**Money Market Sub Fund**

|                                |                |       |     |   |     |        |        |   |       |
|--------------------------------|----------------|-------|-----|---|-----|--------|--------|---|-------|
| GoP - Ijara sukuk (note 7.2.1) | March 11, 2012 | 12.96 | 175 | - | 175 | 17,500 | 17,500 | - | 28.36 |
|--------------------------------|----------------|-------|-----|---|-----|--------|--------|---|-------|

7.2.1 The nominal value of the sukuk certificates of GoP Ijara Sukuk is Rs 100,000 each.

7.3 Investments at fair value through profit or loss upon initial recognition - sukuk certificates

| Name of the investee company | Maturity date | Profit rate | As at July 1, 2008 | Purchases during the year | Cost of purchase | Sales / redemptions during the year | As at June 30, 2009 | Carrying value as at June 30, 2009 | Market value as at June 30, 2009 | Unrealised loss | Percentage of net assets on the basis of market value (see note 7.1.2 above) |
|------------------------------|---------------|-------------|--------------------|---------------------------|------------------|-------------------------------------|---------------------|------------------------------------|----------------------------------|-----------------|--|
|                              |               |             |                    |                           |                  |                                     |                     |                                    |                                  |                 |  |

**Debt Sub Fund**

|  |                    |                                       |    |   |   |   |    |       |       |      |      |
|--|--------------------|---------------------------------------|----|---|---|---|----|-------|-------|------|------|
| Dawood Hercules Chemicals Limited (note 7.3.1) | September 18, 2012 | 6 months Kibor plus base rate of 1.2% | 50 | - | - | - | 50 | 2,500 | 2,412 | (88) | 3.44 |
|--|--------------------|---------------------------------------|----|---|---|---|----|-------|-------|------|------|

|                                   |               |                                       |     |   |   |   |     |       |       |      |      |
|-----------------------------------|---------------|---------------------------------------|-----|---|---|---|-----|-------|-------|------|------|
| Eden Housing Limited (note 7.3.2) | April 2, 2013 | 6 months Kibor plus base rate of 2.5% | 500 | - | - | - | 500 | 2,500 | 2,423 | (77) | 3.45 |
|-----------------------------------|---------------|---------------------------------------|-----|---|---|---|-----|-------|-------|------|------|

|  |                   |                                       |     |   |   |     |   |   |   |   |      |
|--|-------------------|---------------------------------------|-----|---|---|-----|---|---|---|---|------|
| Engro Chemical Pakistan Limited (note 7.3.2) | September 1, 2015 | 6 months Kibor plus base rate of 1.5% | 500 | - | - | 500 | - | - | - | - | 0.00 |
|--|-------------------|---------------------------------------|-----|---|---|-----|---|---|---|---|------|

|   |                  |                                       |   |       |        |       |       |        |       |       |       |
|---|------------------|---------------------------------------|---|-------|--------|-------|-------|--------|-------|-------|-------|
| Karachi Shipyard & Engineering Works Limited (note 7.3.2) | November 2, 2015 | 6 months Kibor plus base rate of 0.4% | - | 4,000 | 20,192 | 2,000 | 2,000 | 10,000 | 9,805 | (195) | 13.97 |
|---|------------------|---------------------------------------|---|-------|--------|-------|-------|--------|-------|-------|-------|

|  |                  |                                       |       |   |   |   |       |       |       |       |      |
|--|------------------|---------------------------------------|-------|---|---|---|-------|-------|-------|-------|------|
| Maple Leaf Cement Factory Limited (note 7.3.2) | December 1, 2013 | 6 months Kibor plus base rate of 1.7% | 1,000 | - | - | - | 1,000 | 5,029 | 4,501 | (528) | 6.41 |
|--|------------------|---------------------------------------|-------|---|---|---|-------|-------|-------|-------|------|

|  |                    |  |     |   |   |    |     |       |       |       |      |
|--|--------------------|--|-----|---|---|----|-----|-------|-------|-------|------|
| Security Leasing Corporation Limited II (note 7.3.2) | September 19, 2012 | 6 months Kibor plus base rate of 1.95% | 500 | - | - | 63 | 437 | 2,176 | 1,967 | (209) | 2.80 |
|--|--------------------|--|-----|---|---|----|-----|-------|-------|-------|------|

|  |                    |  |       |       |        |        |       |        |        |         |      |
|--|--------------------|--|-------|-------|--------|--------|-------|--------|--------|---------|------|
| Shahmurad Sugar Mills Limited (note 7.3.3) | September 30, 2012 | 6 months Kibor plus base rate of 2.25% | 2     | -     | -      | -      | 2     | 1,998  | 1,880  | (118)   | 2.68 |
|  |                    |  | 2,552 | 4,000 | 20,192 | -2,563 | 3,989 | 24,203 | 22,988 | (1,215) |      |

**Money Market Sub Fund**

|  |                    |  |     |   |   |      |     |       |       |       |      |
|--|--------------------|--|-----|---|---|------|-----|-------|-------|-------|------|
| Security Leasing Corporation Limited II (note 7.3.2) | September 19, 2012 | 6 months Kibor plus base rate of 1.95% | 500 | - | - | (63) | 437 | 2,176 | 1,967 | (209) | 3.19 |
|--|--------------------|--|-----|---|---|------|-----|-------|-------|-------|------|

|              |  |  |     |   |   |      |     |       |       |       |  |
|--------------|--|--|-----|---|---|------|-----|-------|-------|-------|--|
| <b>Total</b> |  |  | 500 | - | - | (63) | 437 | 2,176 | 1,967 | (209) |  |
|--------------|--|--|-----|---|---|------|-----|-------|-------|-------|--|

- 7.3.1 The nominal value of the sukuk certificates of Dawood Hercules Chemicals Limited is Rs. 50,000 each.
- 7.3.2 The nominal value of the sukuk certificates of Eden Housing Limited, Engro Chemical Pakistan Limited, Karachi Shipyard & Engineering Works Limited, Maple Leaf Cement Factory Limited and Security Leasing Corporation Limited II is Rs. 5,000 each.
- 7.3.3 The nominal value of the sukuk certificates of Shahmurad Sugar Mills Limited is Rs. 1,000,000 each.
- 7.3.4 In accordance with VPS Rules debt security not listed or quoted on a stock exchange shall be valued at fair value determined to the satisfaction of the trustee. The trustee through its letter CDC/T&C/A2/0462/2009 dated February 10, 2009 has confirmed that the valuation of debt securities should be on the basis of rates quoted by the Mutual Fund Association of Pakistan (MUFAP) and where no rates are quoted the debt securities should be carried at cost.

## 8. FINANCIAL INSTRUMENTS SOLD ON DEFERRED SETTLEMENT BASIS

Financial instruments sold on deferred settlement basis outstanding as at June 30, 2009 amounted to Rs nil (June 30, 2008: Rs 0.251 million).

## 9. PROFIT RECEIVABLE

|  | June 30, 2009   |               |                       | June 30, 2008 |       |
|--|-----------------|---------------|-----------------------|---------------|-------|
|  | Equity sub fund | Debt sub fund | Money Market sub fund | Total         | Total |
| -----Rupees in '000-----                         |                 |               |                       |               |       |
| Profit receivable on savings accounts with banks | 100             | 217           | 840                   | 1,157         | 1,045 |
| Profit receivable on placements                  | -               | 238           | 745                   | 983           | 1,223 |
| Profit receivable on sukuk certificates          | -               | 1,602         | 645                   | 2,247         | 842   |
|  | 100             | 2,057         | 2,230                 | 4,387         | 3,110 |

## 10. FORMATION COSTS

|                                      | June 30, 2009   |               |                       | June 30, 2008 |       |
|--------------------------------------|-----------------|---------------|-----------------------|---------------|-------|
|                                      | Equity sub fund | Debt sub fund | Money Market sub fund | Total         | Total |
| -----Rupees in '000-----             |                 |               |                       |               |       |
| Formation costs                      | 163             | 163           | 163                   | 489           | 750   |
| Less: Amortisation during the period | 83              | 83            | 83                    | 249           | 261   |
|                                      | 80              | 80            | 80                    | 240           | 489   |

- 10.1 Formation costs represents expenditure incurred prior to commencement of operations of the Fund, restricted to Rs 750,000 or 0.5% of the total seed capital, whichever is less and is being amortised over a period of three years in accordance with the Trust Deed of the fund.

## 11. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - PENSION FUND MANAGER

| Note                    | June 30, 2009   |               |                       | June 30, 2008 |       |
|-------------------------|-----------------|---------------|-----------------------|---------------|-------|
|                         | Equity sub fund | Debt sub fund | Money Market sub fund | Total         | Total |
| Management remuneration | 69              | 84            | 76                    | 229           | 222   |
| Front-end fee payable   | 265             | 144           | 25                    | 434           | 140   |
| Formation cost payable  | 79              | 79            | 79                    | 237           | 237   |
|                         | 413             | 307           | 180                   | 900           | 599   |

11.1 Under the provisions of the Trust Deed, the pension fund manager is entitled to an annual management fee not exceeding 1.5% of the net assets of each sub-fund calculated during the year for determining the net asset value of the units of the sub-funds.

## 12. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE OF THE FUND

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed in accordance with the tariff specified therein, based on the daily net assets of the sub-funds.

## 13. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee at the rate of one thirtieth of one per cent of the average annual net asset value of the pension fund payable to SECP under Rule 36 of VPS Rules.

## 14. ACCRUED EXPENSES AND OTHER LIABILITIES

| Note                             | June 30, 2009   |               |                       |       | June 30, 2008 |
|----------------------------------|-----------------|---------------|-----------------------|-------|---------------|
|                                  | Equity sub fund | Debt sub fund | Money Market sub fund | Total | Total         |
| Withholding tax payable          | 1               | -             | 1                     | 2     | 16            |
| Charity payable                  | 108             | 1             | -                     | 109   | 51            |
| Payable to Equity sub-fund       | -               | -             | -                     | -     | 502           |
| Payable to Debt sub-fund         | -               | -             | -                     | -     | 671           |
| Payable to Money Market sub-fund | -               | -             | -                     | -     | 439           |
|                                  | 109             | 1             | 1                     | 111   | 1,679         |

14.1 According to the instructions of the shariah adviser, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 0.109 million (2008: Rs 0.051 million) is outstanding in this regard after making charity payments of Rs nil (2008: nil) to renowned charitable institutions.

## 15. AUDITORS' REMUNERATION

|                                   | June 30, 2009   |               |                       |       | For the period June 16, 2007 to June 30, 2008 |
|-----------------------------------|-----------------|---------------|-----------------------|-------|---|
|                                   | Equity sub fund | Debt sub fund | Money Market sub fund | Total | Total   |
| -----Rupees in '000-----          |                 |               |                       |       |   |
| Audit fee                         | 40              | 40            | 40                    | 120   | 120   |
| Half yearly review                | 17              | 17            | 17                    | 51    | 51  |
| Other certifications and services | 16              | 17            | 17                    | 50    | 66  |
| Out of pocket expenses            | 2               | 1             | 1                     | 4     | 15  |
|                                   | 75              | 75            | 75                    | 225   | 252   |

## 16. (LOSS) / EARNINGS PER UNIT OUTSTANDING - BASIC

|  | June 30, 2009             |               |                       |
|--|---------------------------|---------------|-----------------------|
|  | Equity sub fund           | Debt sub fund | Money Market sub fund |
|  | -----Rupees in '000-----  |               |                       |
| Net (loss) / income for the year               | (20,841)                  | 6,492         | 5,956                 |
|  | -----Number of units----- |               |                       |
| Units outstanding as at June 30, 2009          | 803,092                   | 589,426       | 517,073               |
|  | -----Rupees-----          |               |                       |
| (Loss) / earnings per unit outstanding - basic | (25.95)                   | 11.01         | 11.52                 |

16.1 There were no convertible dilutive potential units outstanding on June 30, 2009 and 2008.

|  | June 30, 2008             |               |                       |
|--|---------------------------|---------------|-----------------------|
|  | Equity sub fund           | Debt sub fund | Money Market sub fund |
|  | -----Rupees in '000-----  |               |                       |
| Net income for the period June 16, 2007 to June 30, 2008 | 2,134                     | 4,737         | 4,037                 |
|  | -----Number of units----- |               |                       |
| Units outstanding as at June 30, 2008                    | 638,489                   | 553,580       | 508,430               |
|  | -----Rupees-----          |               |                       |
| Earnings per unit outstanding - basic                    | 3.34                      | 8.56          | 7.94                  |

## 17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML being the pension fund manager, CDC being the Trustee, MBL being the holding company of the pension fund manager, funds under management of the pension fund manager and directors and executives of the pension fund manager.

Remuneration payable to the pension fund manager and the trustee is determined in accordance with the provisions of VPS Rules and the Trust Deed respectively. Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Details of transactions with connected persons and balances with them as of June 30, 2009 and for the year then ended are as follows:

| June 30, 2009   |               |                       |       | June 30, 2008 |
|-----------------|---------------|-----------------------|-------|---------------|
| Equity sub fund | Debt sub fund | Money Market sub fund | Total | Total         |

-----Rupees in '000-----

**Investment by:**

**Al Meezan Investment Management Limited**

(Equity sub fund: 500,000 units; debt sub fund: 500,000 units; money market sub fund: 500,000 units)

|        |        |        |         |         |
|--------|--------|--------|---------|---------|
| 38,355 | 59,525 | 59,665 | 157,545 | 159,920 |
|--------|--------|--------|---------|---------|

**Directors and executives of the Pension Fund Manager**

As at June 30, 2009

(Equity sub fund: 47,164 units; debt sub fund: 9,883 units; money market sub fund: 2,307 units)

(June 30, 2008: Equity sub fund: 27,327 units; debt sub fund: 6,875 units)

|       |       |     |       |       |
|-------|-------|-----|-------|-------|
| 3,618 | 1,177 | 275 | 5,070 | 3,049 |
|-------|-------|-----|-------|-------|

Units issued during the year / period

(Equity sub fund: 19,851 units; debt sub fund: 4,939 units; money market sub fund: 2,319 units)

|       |     |     |       |   |
|-------|-----|-----|-------|---|
| 1,443 | 556 | 250 | 2,249 | - |
|-------|-----|-----|-------|---|

Units switched during the year / period

(Equity sub fund: 15 units; debt sub fund: 1,931 units; money market sub fund: 12 units)

|   |     |   |     |   |
|---|-----|---|-----|---|
| 1 | 228 | 1 | 230 | - |
|---|-----|---|-----|---|

**Transactions and balances with connected persons:**

| Equity sub fund | Debt sub fund | Money Market sub fund | Total | For the period June 16, 2007 to June 30, 2008 |
|-----------------|---------------|-----------------------|-------|---|
|-----------------|---------------|-----------------------|-------|---|

-----Rupees in '000-----

**Al Meezan Investment Management Limited**

**- pension fund manager**

Remuneration payable at the beginning of the year  
Formation cost payable at the beginning of the year  
Remuneration for the year  
Front-end fee for the year

|     |     |     |       |       |
|-----|-----|-----|-------|-------|
| 172 | 116 | 74  | 362   | -     |
| 79  | 79  | 79  | 237   | 237   |
| 721 | 965 | 874 | 2,560 | 2,666 |
| 175 | 100 | 18  | 293   | 140   |

Amount paid during the year  
Balance at the end of the year

|       |       |       |         |         |
|-------|-------|-------|---------|---------|
| 1,147 | 1,260 | 1,045 | 3,452   | 3,043   |
| (734) | (953) | (865) | (2,552) | (2,444) |
| 413   | 307   | 180   | 900     | 599     |

**Meezan Bank Limited**

Bank balance

|       |       |     |       |        |
|-------|-------|-----|-------|--------|
| 5,076 | 2,897 | 750 | 8,723 | 12,974 |
|-------|-------|-----|-------|--------|

Profit on savings accounts and placements

|    |     |     |     |       |
|----|-----|-----|-----|-------|
| 47 | 289 | 102 | 438 | 1,813 |
|----|-----|-----|-----|-------|

**Central Depository Company - trustee of the fund**

Balance at the beginning of the year  
Remuneration for the year  
CDS charges for the year

|    |     |     |     |     |
|----|-----|-----|-----|-----|
| 9  | 8   | 8   | 25  | -   |
| 84 | 113 | 102 | 299 | 313 |
| 7  | 6   | 6   | 19  | 23  |

Amount paid during the year  
Balance at the end of the year

|      |      |      |       |       |
|------|------|------|-------|-------|
| 100  | 127  | 116  | 343   | 336   |
| (78) | (99) | (91) | (268) | (311) |
| 22   | 28   | 25   | 75    | 25    |

## 18. FINANCIAL RISK

The risk management policy of the fund aims to maximise the return attributable to the participants and seeks to minimise potential adverse effects on the Fund's financial performance.

Risk of the funds are being managed by the fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk and interest rate risk) credit risk and liquidity risk. Further, the overall exposure of the fund complies with the VPS Rules and the directives issued by SECP.

Risks managed and measured by the fund are explained below:

### 18.1 Market risk

#### 18.1.1 Price Risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry environment and / or the economy in general.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the participants from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the fund manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities, and by complying with the internal risk management policies and regulations laid down in VPS Rules and directives issued by SECP.

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the Pension Fund Manager.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in notes 7.1, 7.2 and 7.3 to these financial statements. At June 30, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the Dow Jones - JS Pakistan Islamic Index (DJIMPK). The Fund's policy is to concentrate the investment portfolio in sectors where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by approximately Rs 0.060 million (2008: decrease / increase by approximately Rs 0.2 million) if the prices of equity vary due to increase / decrease in DJIMPK. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with DJIMPK and that DJIMPK increases / decreases by 10 basis points with all other factors held constant.

The fund manager uses DJIMPK as a reference point in making investment decisions. However, the fund manager does not manage the Fund's investment strategy to track DJIMPK or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30 and the historical correlation of the securities comprising the portfolio to DJIMPK. The composition of the Fund's investment portfolio and the correlation thereof to DJIMPK, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of DJIMPK.

### 18.1.2 Interest Rate Risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which effects cashflows pertaining to debt instruments and their fair values.

#### Cash flow interest rate risk

During the year ended June 30, 2009, net income will increase / decrease by Rs 0.350 million (2008: Rs 0.090 million) if the interest rates on sukuks increase / decrease by five percent.

#### Fair value interest rate risk

The investment portfolio of the Fund includes investments in sukuks. The net assets of the Fund will increase / decrease approximately by Rs 0.020 million if the interest rate used to determine the fair value of such securities decrease / increase by five percent. This is based on the assumption that all other variables remain constant.

## 18.2 Credit Risk

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of atleast investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The fund, however, also invests in non-rated instruments based on internal ratings assigned by the fund manager using an approach that is consistent with the approach used by the rating agencies. The credit rating wise analysis of investments in sukuks has been tabulated below:

|                       | 2009          |                       | 2008          |                       |
|-----------------------|---------------|-----------------------|---------------|-----------------------|
|                       | Debt sub fund | Money Market sub fund | Debt sub fund | Money Market sub fund |
| Government Guaranteed | 65.3          | 89.90                 | -             | -                     |
| AA                    | -             | -                     | 14.96         | -                     |
| AA-                   | -             | -                     | -             | -                     |
| A+                    | -             | -                     | 29.46         | -                     |
| A                     | 6.38          | -                     | 14.65         | -                     |
| A-                    | 16.8          | -                     | -             | -                     |
| BBB+                  | -             | -                     | 14.57         | 100.00                |
| BBB                   | -             | -                     | 11.71         | -                     |
| BBB-                  | 5.17          | 10.10                 | -             | -                     |
| Non-rated             | 6.35          | -                     | 14.65         | -                     |
|                       | 100.00        | 100.00                | 100.00        | 100.00                |

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. All banks in which the Fund has balances have a credit rating of atleast A or higher. Further, all transactions in securities are settled through approved brokers, thus the risk of default is considered to be minimal. In accordance with the risk management policy of the fund, the investment manager monitors the credit position on a daily basis which is reviewed by the board of directors on a quarterly basis.

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties 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 counter parties thereby mitigating any significant concentrations of credit risk.

The maximum exposure to credit risk as at June 30, 2009 and 2008 is tabulated below:

| Financial assets  | 2009                      | 2008           |
|---|---------------------------|----------------|
|   | -----Rupees in '000 ----- |                |
| Balances with banks   | 47,916                    | 58,985         |
| Placements  | 27,900                    | 26,250         |
| Receivable against sale of investments                            | 228                       | 751            |
| Investments at fair value through profit or loss                  | 114,355                   | 93,903         |
| Financial instruments sold on deferred settlement basis           | -                         | 251            |
| Dividend receivable   | 363                       | 480            |
| Profit receivable   | 4,387                     | 3,110          |
| Formation costs   | 240                       | 489            |
| Deposit with Central Depository Company of Pakistan Limited (CDC) | 300                       | 300            |
| Other receivables   | -                         | 1,612          |
|   | <u>195,689</u>            | <u>186,131</u> |

The fund does not have any collateral against any of the aforementioned assets. The issuer of the sukuks, however, pledged security to the investment agent in trust for the benefit of sukuk holders.

### 18.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting participant's early redemptions at any time. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In accordance with the rule 28 (2) of the VPS Rules, the fund has the ability to borrow funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding ninety days to the extent of fifteen per cent of the net assets value of the Fund which amounts to Rs 29.021 million as on June 30, 2009 (2008: Rs 27.144 million).

In accordance with the risk management policy of the Fund, the investment manager monitors the liquidity position on a daily basis, which is reviewed by the board of directors of the Pension Fund Manager on a quarterly basis.

An analysis of the Fund's liabilities into relevant maturity grouping as at June 30, 2009 and 2008 is tabulated below:

|  | Three months        | Maturity upto six months | one year | More than one year | Total        | 2008         |
|--|---------------------|--------------------------|----------|--------------------|--------------|--------------|
|  | ----- Rs '000 ----- |                          |          |                    |              |              |
| Payable against purchase of investments                                      | 923                 | -                        | -        | -                  | 923          | 2,631        |
| Payable to Al Meezan Investment Management Limited<br>- pension fund manager | 900                 | -                        | -        | -                  | 900          | 599          |
| Payable to Central Depository Company of Pakistan<br>- trustee of the fund   | 75                  | -                        | -        | -                  | 75           | 25           |
| Payable to auditors  | 150                 | -                        | -        | -                  | 150          | 180          |
| Accrued expenses and other liabilities                                       | 109                 | -                        | -        | -                  | 109          | 1,663        |
| 2009   | <u>2,157</u>        | -                        | -        | -                  | <u>2,157</u> | <u>5,098</u> |
| 2008   | <u>5,098</u>        | -                        | -        | -                  |              |              |

## 19. Capital risk management

All units and fractions thereof represent an undivided share in the respective sub-fund and rank pari passu as to their rights in the net assets and earnings of that sub-fund. The relevant movements are shown on the 'statement of movement in participants' sub-funds'.

Each participant has a beneficial interest in the Fund proportionate to the units held by such participant in the respective sub-fund in his individual pension account (IPA). The liability of the participant is limited to the number of units or in certain circumstances cash, as may be allowed by the Rules, held by each participant in his IPA. These are only redeemable in case of retirement, premature encashment / redemption, death of the participant, and change of Pension Fund Manager, change of allocation schemes and / or rebalancing of the IPA according to the percentages selected allocation schemes. Core units issued to the core investors in each sub-fund are issued at the par value and are not redeemable / transferable / tradable for a minimum period of three years from the date of such issue.

In accordance with risk management policies stated in note 18, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet early withdrawals, such liquidity being augmented by disposal of investments where necessary.

## 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values as these financial assets and liabilities are short term in nature.

## 21. PERFORMANCE TABLE

|   | 2009     | 2008    | Percentage change (%) |
|---|----------|---------|-----------------------|
| -----Rupees in '000 -----   |          |         |                       |
| <b>Equity sub Fund</b>  |          |         |                       |
| Net income  | (20,841) | 2,134   | (1,077)               |
| Net realised (loss) / gain on sale of investments   | (2,670)  | 2,771   | (196)                 |
| Unrealised loss on re-measurement of investments<br>at fair value through profit and loss | (16,411) | (3,871) | 324                   |
| Dividend income   | 3,474    | 2,726   | 27                    |
| Profit on deposit accounts with banks   | 298      | 1,130   | (74)                  |
| Transactions in securities  |          |         |                       |
| Purchases   | 21,961   | 87,874  | (75)                  |
| Sales   | 8,719    | 23,834  | (63)                  |
| Total contribution received   | 12,537   | 64,738  | (81)                  |
| Total net asset value   | 61,602   | 65,983  | (7)                   |
| -----Rupees in '000 -----   |          |         |                       |
| <b>Debt sub Fund</b>  |          |         |                       |
| Net income  | 6,492    | 4,737   | 37                    |
| Net realised (loss) / gain on sale of investments   | 90       | 886     | (90)                  |
| Unrealised loss on re-measurement of investments<br>at fair value through profit and loss | (1,215)  | (75)    | 1,520                 |
| Gain on re-measurement of financial instruments<br>sold on deferred settlement basis      | -        | 85      | (100)                 |
| Profit on savings accounts with banks   | 2,378    | 2,285   | 4                     |
| Profit on placements  | 948      | 1,047   | (9)                   |
| Profit on sukuk certificates  | 5,024    | 1,534   | 228                   |
| Transactions in securities  |          |         |                       |
| Purchases   | 15,000   | 114,606 | (87)                  |
| Sales   | 7,236    | 93,436  | (92)                  |
| Total contribution received   | 6,036    | 55,597  | (89)                  |
| Total net asset value   | 70,172   | 60,095  | 17                    |

|   | 2009   | 2008   | Percentage change (%) |
|---|--------|--------|-----------------------|
| -----Rupees in '000-----  |        |        |                       |
| <b>Money Market sub Fund</b>  |        |        |                       |
| Net income  | 5,956  | 4,037  | 48                    |
| Net realised (loss) / gain on sale of investments   | 167    | 665    | (75)                  |
| Unrealised loss on re-measurement of investments<br>at fair value through profit and loss | (209)  | (215)  | (3)                   |
| Gain on re-measurement of financial instruments<br>sold on deferred settlement basis      | -      | 166    | (100)                 |
| Profit on savings accounts with banks   | 3,177  | 2,591  | 23                    |
| Profit on placements  | 1,843  | 1,747  | 5                     |
| Profit on sukuk certificates  | 2,050  | 236    | 769                   |
| Transactions in securities  |        |        |                       |
| Purchases   | 17,500 | 81,343 | (78)                  |
| Sales   | 7,186  | 71,990 | (90)                  |
| Total contribution received   | 1,523  | 50,894 | (97)                  |
| Total net asset value   | 61,700 | 54,880 | 12                    |

|                              | Equity sub Fund | Debt sub Fund | Money Market<br>sub Fund |
|------------------------------|-----------------|---------------|--------------------------|
| -----Rupees in '000-----     |                 |               |                          |
| NAV per unit                 | 76.71           | 119.05        | 119.33                   |
| (Loss) / earnings per unit   | (25.95)         | 11.01         | 11.52                    |
| Highest issue price per unit | 102.25          | 119.58        | 119.93                   |
| Lowest issue price per unit  | 44.87           | 108.45        | 107.78                   |

## 22. DATE OF AUTHORISATION

These financial statements were authorised on August 20, 2009 by the board of directors of the pension fund manager.

**For Al Meezan Investment Management Limited  
(Pension Fund Manager)**

**Chief Executive**

**Director**