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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) 5630722-6, 111-MEEZAN
Fax: (9221) 5676143, 5630808
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
Suite # M 13-16, Meezzanine Floor, Progressive Plaza,
Beaumont Road, 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.

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

LEGAL ADVISER

Bawaney & Partners
404, 4th 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
3rd Floor P.N.S.C. Building
M.T. Khan Road
Phone: (9221) 561 0582, 561 0417
Fax: (9221) 561 1427
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

DIRECTORS' REPORT

AL MEEZAN INVESTMENT MANAGEMENT LIMITED

PENSION FUND MANAGER - MEEZAN TAHAFFUZ PENSION FUND

The Board of Directors of Al Meezan Investment Management Limited, the Pension Fund Manager of Meezan Tahaffuz Pension Fund, is pleased to present the audited annual financial statements of Meezan Tahaffuz Pension Fund (MTPF) for the year ended June 30, 2008. This was the first completed year for MTPF which was offered for public subscription from on June 27, 2007.

Equity Market Review

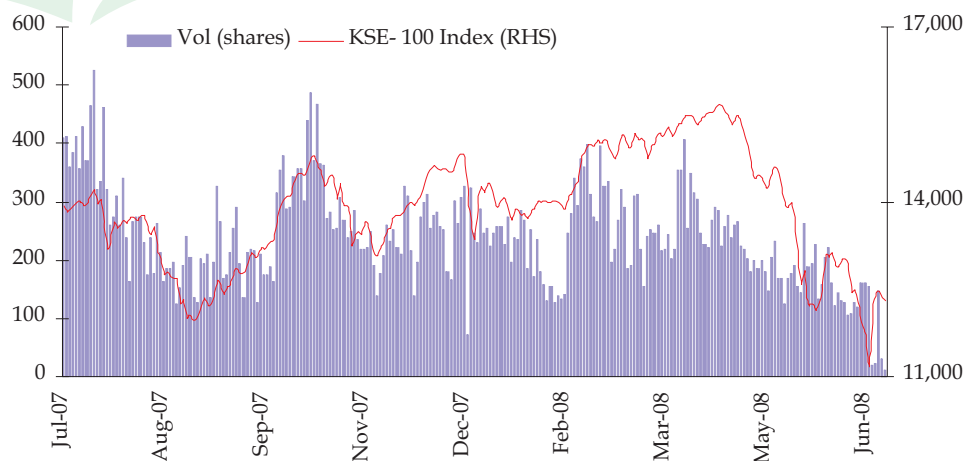
The KSE 100 index, after posting an outstanding average return of 48% per annum for six consecutive years, marked the end of FY08 with a negative return of 11% YoY, closing at 12,289. During the same period, Dow Jones Islamic Market Pakistan Index, an index of Shariah compliant companies listed on Karachi Stock Exchange, registered an increase of 0.92%. Market capitalization during the year declined by 17% to US\$ 55.3bn. Average daily turnover for the year stood at 241mn shares, 14% higher than previous year's average of 211mn shares.

The market started with positive momentum but soon sentiments turned bearish as political uncertainty and judicial issue started to impact the market. Later, President's re-election led to stock market recovery which was short lived by the news of imposition of emergency and subsequently the assassination of former Prime Minister Benazir Bhutto; both events were followed by stock market losing over 600 points. Turn of the calendar year brought some relief to the market. Peaceful elections and creation of broad based coalition government led to a rebound in the stock market post elections with the index reaching its all time high of 15,676 on April 18, 2008.

After elections, the country was faced with economic challenges mainly due to hikes in international crude oil and commodity prices, which led to inflationary pressures. Moreover, concerns regarding the deteriorating balance of payment position and the weakening rupee led to a further tightening of monetary policy by increasing discount rate and reserve requirements. This resulted in the weakening of the stock market.

In early June, the news that capital gains tax was postponed for two more years helped in rebound of the market, but, the rally could not sustain in the backdrop of rising inflation and interest rate worries. The KSE Index touched the lowest level for the year of 11,162 on June 23, 2008. To arrest the free fall of the market near year end, SECP took market stabilization measures. The market responded positively recording the highest single day increase of 960 points (9.6%), and eventually managed to close above 12,000 points. Overall during the year, the KSE 100 index was down 11%, to close at 12,289.

KSE-100 Index Performance during FY08



Economic and Money Market Review

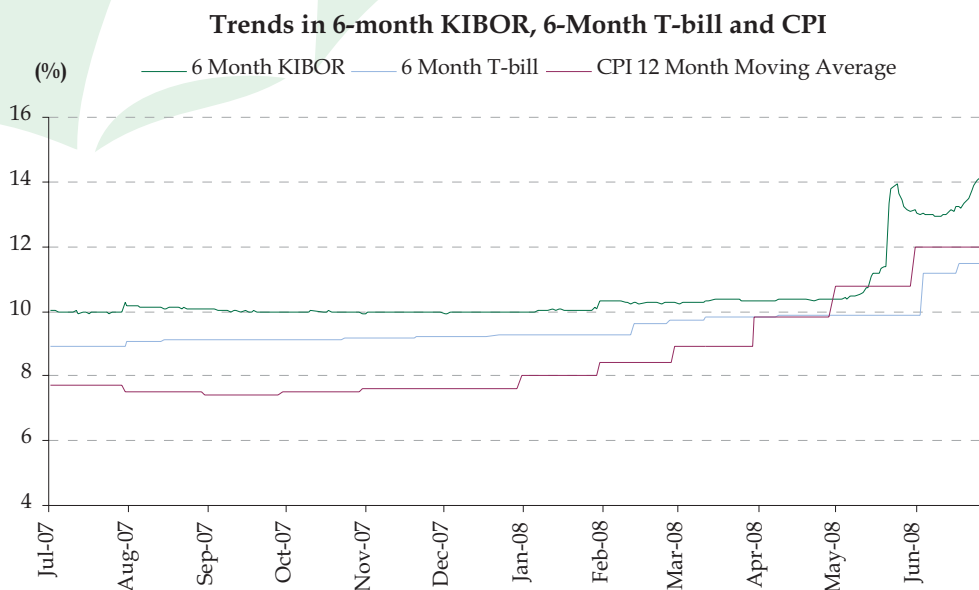
Despite international economic slowdown, Pakistan managed a GDP growth of 5.8% in FY08 as against 7%, a year earlier. The decline in GDP growth this year is mainly attributed to the slow down in key sectors, mainly agriculture and manufacturing. Nonetheless, service sector has again posted an impressive growth of 8.6%, which accounts for 53% of GDP growth.

The current account deficit has reached US\$ 14.01bn for FY08, almost twice as much as in the previous year. The main reason for widening current account deficit is the worsening of trade balance. Due to the extraordinary increase in international crude oil and food prices, Pakistan's trade deficit for FY08 reached US\$ 20.7bn resulting in reduction of foreign exchange reserves from US\$ 15.7bn in July 2007 to US\$ 11.2bn in June 2008. This created further pressure on PKR value against US dollar, thus depreciating PKR by 12.7%. The economy was further hurt by the uncertain political situation as foreign investors remained cautious during the year, resulting in a decline in foreign direct and portfolio investment. However, the inflows of remittances remained strong and provided some support to the balance of payment situation, recording the highest ever amount of US\$ 6.45bn, 18% more than last year. More importantly, Government of Pakistan successfully achieved its unprecedented tax collection target of PKR 1 trillion, which also helped in providing some relief to the burgeoning budget deficit

Monetary Tightening

These are challenging times for the monetary authority. The inflation continues to inch upward primarily at the back of surging oil and food prices. The FY08 inflation is 12% which is 5.4% more than the target of 6.6%. In order to curb inflation, State Bank (SBP) continued its monetary tightening to arrest the inflationary effect and increased the discount rate thrice in last one year from 9.5% to 12%.

The tight monetary stance resulted in 6 month t-bill rates to increase from 8.9% in June 2007 to 11.47% by end of June 2008, an increase of almost 257 bps. The impact of tight monetary policy on KIBOR has been more pronounced with an increase of 417 bps during the same period from 10.02% to 14.19%. Also, with regular mopping up of excess liquidity through OMO's, overnight rates during the last quarter increased further, with banks feeling the pinch of tight monetary environment. The following graph shows the trend in interest rate during the period under review.



Going forward, in order to ensure a conservative budget deficit and to curtail its borrowings, the government aims to phase out subsidies through adjustment of fuel prices. The concerted measures by GoP and central bank will have positive spill over effects on economy.

Operational Review

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

Equity Sub Fund

Equity sub fund's performance during the year ended June 30, 2008 was decent as it gained 3.34% during the period. For the period ended June 30, 2008 the sub fund earned gross income of PKR 3.65 mn, main contributors of which were net realized gain on sale of equity securities of PKR 2.77 mn and dividend income of PKR 2.73 mn. After accounting for expenses of PKR 1.51 mn, the Sub Fund recorded a net profit of PKR 2.13 mn. The net assets of Equity sub fund increased from PKR 53.93 mn at the beginning of the year to PKR 65.98 mn by the end of the financial year.

Debt Sub Fund

The net asset value per unit of Debt sub fund appreciated by 8.56% during the period. During the year ended June 30, 2008 the Sub Fund earned gross income of PKR 6 mn, main contributor of which was profit on bank deposits of PKR 2.28 mn. After accounting for expenses of PKR 1.26 mn, the sub fund recorded a net profit of PKR 4.74 mn. The net assets of debt sub fund increased from PKR 51.14 mn at the beginning of the year to PKR 60.10 mn by the end of the financial year.

Money Market Sub Fund

The net asset value per unit of Money Market sub fund appreciated by 7.94% to end the year at PKR 107.94. Profit on bank placements of PKR 1.75 mn contributed mainly to the sub fund's gross income of PKR 5.24 mn. The sub fund recorded net profit of PKR 4.04 mn, after accounting for expenses of PKR 1.20 mn. The net assets of Money Market sub fund increased from PKR 50.11 mn at the beginning of the year to PKR 54.88 mn by the end of the financial year.

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 Advisor, representing income, which is Haram. During the year ended June 30, 2008 an amount of PKR 0.05mn was accrued as charity payable.

Investment Objective & 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 can no longer earn regular income to support their living.

The Fund comprises of three Sub Funds namely, Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund. Equity Sub Fund invests in Shariah compliant equity securities with a view of long term capital appreciation and regular income stream through dividends. The Debt Sub Fund invests in Shariah compliant debt structures like Sukuks, placement with Islamic banks etc. The duration of Debt Sub Fund's portfolio may be up to 10 years, allowing it to invest in longer term assets. The Money Market Sub Fund invests in Shariah compliant debt structures similar to the ones invested in by the Debt Sub Fund. However, restriction of maximum duration of 1 year for the Money Market Sub Fund portfolio means that it has higher allocation to short term placements and thus lower risk.

Future Outlook

Pakistan economy is facing an uphill task. However, we are optimistic about the long term growth trend in the economy. Therefore we remain confident about the future prospects of the local economy in general and of Meezan Tahaffuz Pension Fund in particular.

Future direction of the economy and stock market is likely to be driven by growth prospects, political stability, improved balance of payments and foreign investment. With value in Pakistani equities and attractive relative valuations of local companies, improved deposit rates on Islamic deposits and the resetting of coupons linked to KIBOR, we expect the yield for the unit holders to improve going forward.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest Shariah compliant asset management firm in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan and MTPF's trustee, Central Depository Company of Pakistan, for all their support and guidance. Last but not the least; we would like to place on record our gratitude for Justice (Retd.) Muhammad Taqi Usmani, in special and other members of the Shariah Board of Meezan Bank in general, for their continued guidance on Shariah aspects of fund management.

Karachi.
August 7, 2008

For and on behalf of the Board
Mohammad Shoib, 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 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 period from June 16, 2007 to June 30, 2008 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 08, 2008

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 Advisor of Meezan Tahaffuz Pension Fund for the period June 16, 2007 to June 30, 2008.

Management company's responsibility

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

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 Advisor of the Fund for the period June 16, 2007 to June 30, 2008.

A.F. Ferguson & Co.

Chartered Accountants

Karachi, September 11, 2008

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, 2008 and for the period June 16, 2007 to June 30, 2008 together with the notes forming part thereof for the period 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 period 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, 2008 and of the transactions of the Pension Fund for the period June 16, 2007 to June 30, 2008 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.

A.F. Ferguson & Co.

Chartered Accountants

Karachi, September 11, 2008

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2008

		June 30, 2008				
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total
<i>Note</i>		------(Rupees in '000)-----				
Assets						
Balances with banks	5	5,685	29,720	22,663	917	58,985
Placements	6	-	5,750	20,500	-	26,250
Receivable against sale of investments		-	751	-	-	751
Investments at fair value through profit or loss	7	62,739	21,659	9,505	-	93,903
Financial instruments sold on deferred settlement basis	8	-	85	166	-	251
Dividend receivable		480	-	-	-	480
Profit receivable	9	89	1,440	1,581	-	3,110
Formation costs	10	163	163	163	-	489
Deposit with Central Depository Company of Pakistan Limited (CDC)		100	100	100	-	300
Other receivables	11	502	671	439	-	1,612
Total Assets		<u>69,758</u>	<u>60,339</u>	<u>55,117</u>	<u>917</u>	<u>186,131</u>
Liabilities						
Payable against purchase of investments		2,631	-	-	-	2,631
Payable to Al-Meezan Investment Management Limited - pension fund manager	12	161	152	146	140	599
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	13	9	8	8	-	25
Payable to auditors		60	60	60	-	180
Payable to Securities and Exchange Commission of Pakistan	14	22	19	18	-	59
Accrued expenses and other liabilities	15	892	5	5	777	1,679
Total liabilities		<u>3,775</u>	<u>244</u>	<u>237</u>	<u>917</u>	<u>5,173</u>
Net assets		<u>65,983</u>	<u>60,095</u>	<u>54,880</u>	<u>-</u>	<u>180,958</u>
Deferred sale commitments	8					
Participants' sub-funds (as per statement attached)		<u>65,983</u>	<u>60,095</u>	<u>54,880</u>	<u>-</u>	<u>180,958</u>
Number of units in issue (As per statement attached)		<u>638,489</u>	<u>553,580</u>	<u>508,430</u>		
Net assets value per unit (Rupees)		<u>103.34</u>	<u>108.56</u>	<u>107.94</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 PERIOD JUNE 16, 2007 TO JUNE 30, 2008

For the period June 16, 2007 to June 30, 2008

Note	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total	
(Rupees in '000)						
Income						
Profit on sukuk certificates	-	1,534	236	-	1,770	
Profit on savings accounts with banks	1,130	2,285	2,591	-	6,006	
Profit on placements	-	-	1,047	1,747	2,794	
Unrealised loss on re-measurement of investments at fair value through profit or loss	(3,871)	(75)	(215)	-	(4,161)	
Gain on re-measurement of financial instruments sold on deferred settlement basis	-	85	166	-	251	
Net realised gain on sale of investments	2,771	886	665	-	4,322	
Dividend income	2,726	-	-	-	2,726	
Element of income and capital gains included in prices of units issued less those in units redeemed	889	239	51	-	1,179	
Total income	<u>3,645</u>	<u>6,001</u>	<u>5,241</u>	<u>-</u>	<u>14,887</u>	
Expenses						
Remuneration of Al Meezan Investment Management Limited - pension fund manager	12.1	991	858	817	-	2,666
Remuneration of Central Depository Company of Pakistan Limited - trustee of the fund		116	101	96	-	313
Annual fee of Securities and Exchange Commission of Pakistan	14	22	19	18	-	59
Auditors' remuneration	16	84	84	84	-	252
Amortisation of formation cost		87	87	87	-	261
Securities' transaction cost		195	104	92	-	391
Custody and settlement charges		8	8	7	-	23
Bank charges		8	3	3	-	14
Total expenses		<u>1,511</u>	<u>1,264</u>	<u>1,204</u>	<u>-</u>	<u>3,979</u>
Net income		<u><u>2,134</u></u>	<u><u>4,737</u></u>	<u><u>4,037</u></u>	<u><u>-</u></u>	<u><u>10,908</u></u>
Earnings per unit outstanding - basic (Rupees)	17	<u><u>3.34</u></u>	<u><u>8.56</u></u>	<u><u>7.94</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

CASH FLOW STATEMENT FOR THE PERIOD JUNE 16, 2007 TO JUNE 30, 2008

For the period June 16, 2007 to June 30, 2008

	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total
Note -----(Rupees in '000)-----					
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	2,134	4,737	4,037	-	10,908
Adjustments for :					
Dividend income	(2,726)	-	-	-	(2,726)
Profit on sukuk certificates	-	(1,534)	(236)	-	(1,770)
Profit on savings accounts with banks	(1,130)	(2,285)	(2,591)	-	(6,006)
Profit on placements	-	(1,047)	(1,747)	-	(2,794)
Unrealised loss on re-measurement of investments at fair value through profit or loss	3,871	75	215	-	4,161
Gain on re-measurement of financial instruments sold on deferred settlement basis	-	(85)	(166)	-	(251)
Amortisation of formation cost	87	87	87	-	261
Element of income and capital gains included in prices of units issued less those in units redeemed	(889)	(239)	(51)	-	(1,179)
	1,347	(291)	(452)	-	604
Increase in assets					
Placements	-	(5,750)	(20,500)	-	(26,250)
Receivable against sale of investments	-	(751)	-	-	(751)
Investments at fair value through profit or loss	(66,610)	(21,734)	(9,720)	-	(98,064)
Formation costs	(250)	(250)	(250)	-	(750)
Deposit with CDC	(100)	(100)	(100)	-	(300)
Other receivables	(502)	(671)	(439)	-	(1,612)
	(67,462)	(29,256)	(31,009)	-	(127,727)
Increase in liabilities					
Payable against purchase of investments	2,631	-	-	-	2,631
Payable to Al-Meezan Investment Management Limited - pension fund manager	161	152	146	140	599
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	9	8	8	-	25
Payable to Securities and Exchange Commission of Pakistan	22	19	18	-	59
Payable to auditors	60	60	60	-	180
Accrued expenses and other liabilities	892	5	5	777	1,679
	3,775	244	237	917	5,173
Dividend received	2,246	-	-	-	2,246
Profit received on savings accounts with banks	1,041	1,860	2,060	-	4,961
Profit received on sukuk certificates	-	780	148	-	928
Profit received on placements with banks	-	786	785	-	1,571
Net cash (outflow) / inflow from operating activities	(59,053)	(25,877)	(28,231)	917	(112,244)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts of contribution	64,738	55,597	50,894	-	171,229
Net cash inflow during the period	5,685	29,720	22,663	917	58,985
Cash and cash equivalents at the beginning of the period	-	-	-	-	-
Cash and cash equivalents at the end of the period	5,685	29,720	22,663	917	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 PERIOD JUNE 16, 2007 TO JUNE 30, 2008

For the period June 16, 2007 to June 30, 2008

	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total
	----- (Rupees in '000) -----				
Amount received on issue of units (Equity sub fund: 638,489 units; Debt sub fund: 553,580 units; Money market sub fund: 508,430 units)	64,738	55,597	50,894	-	171,229
Element of income and capital gains included in prices of units issued less those in units redeemed	(889)	(239)	(51)	-	(1,179)
Net income for the period	2,134	4,737	4,037	-	10,908
Net assets at the end of the period	<u>65,983</u>	<u>60,095</u>	<u>54,880</u>	<u>-</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 PERIOD JUNE 16, 2007 TO JUNE 30, 2008

for the period June 16, 2007 to June 30, 2008

Contributions net of front end fee received during the period	Equity sub found		Debt sub found		Money Market Sub Fund		Total (Rupees in '000)
	Units	Rs in '000	Units	Rs in '000	Units	Rs in '000	
	----- (Rupees in '000) -----						
Individuals - issue of units	137,566	14,638	54,437	5,690	8,502	901	21,229
Individuals - reallocation of units	923	100	(857)	(93)	(72)	(7)	-
	<u>138,489</u>	<u>14,738</u>	<u>53,580</u>	<u>5,597</u>	<u>8,430</u>	<u>894</u>	<u>21,229</u>
Issue of core units to Pension Fund Manager	500,000	50,000	500,000	50,000	500,000	50,000	150,000
Total	<u><u>638,489</u></u>	<u><u>64,738</u></u>	<u><u>553,580</u></u>	<u><u>55,597</u></u>	<u><u>508,430</u></u>	<u><u>50,894</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 PERIOD JUNE 16, 2007 TO JUNE 30, 2008**

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 PERIOD JUNE 16, 2007 TO JUNE 30, 2008

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. The registered office of the pension fund manager of the Fund, is situated in Finance and Trade Centre Shariah-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.
- 1.5 The SECP through its letter No.22(1)SEC/SCD/PW-AMIML/2007 dated July 6, 2007 relaxed the requirement of rule 7(1)(e) of the VPS Rules in respect of annual audit and submission of audited financial statements for the year ended June 30, 2007. In lieu of this relaxation, these financial statements have been prepared for the period June 16, 2007 to June 30, 2008 and accordingly there are no comparatives.

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 Voluntary Pension System Rules, 2005 (VPS Rules), the Trust Deed and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the VPS Rules and the said directives differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the VPS Rules and the said directives take precedence.

3.2 Standards, amendments and interpretations effective during the year ended June 30, 2008:

There are certain new standards and interpretations that were mandatory for accounting period beginning on or after July 1, 2007 but are considered not to be relevant or have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

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

IFRS 7, 'Financial instruments: Disclosures' (effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.

There are other standards, interpretations and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after July 1, 2008 but are considered not to be relevant or have any significant effect to the Fund's operations and are therefore not disclosed 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 originated by the enterprise

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 at least once a year to ensure that the allocations of the sub-fund units of all the Participants are according to the allocation schemes selected by the Participants.

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 disposal 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 at the time of closure of shares transfer books of the investee company.
- (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 Transactions with connected persons

Transactions between the Fund and its connected persons, as defined in VPS Rules, 2005 are carried out on an arm's length basis substantiated in a manner set out in note 18.

4.18 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.

4.19 Dividend and bonus units

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

5. BALANCES WITH BANKS

June 30, 2008

	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total
----- (Rupees in '000) -----					
Current accounts	46	11	11	-	68
Savings accounts	5,639	29,709	22,652	917	58,917
	<u>5,685</u>	<u>29,720</u>	<u>22,663</u>	<u>917</u>	<u>58,985</u>

6. PLACEMENTS

Placements carry expected profit at rates ranging from 9.85 percent per annum to 10.35 percent per annum and are due to mature during the period from July 5, 2008 to February 8, 2009.

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

June 30, 2008

		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
Note ----- (Rupees in '000) -----					
Held for trading	7.1	62,739	4,591	7,018	74,348
Investments at fair value through profit or loss upon initial recognition	7.2	-	17,068	2,487	19,555
		<u>62,739</u>	<u>21,659</u>	<u>9,505</u>	<u>93,903</u>

7.1 Held for trading - shares of listed companies

Name of the investee company	Purchases during the period	Cost of purchase	Bonus / rights issue	Sales during the period	As at June 30, 2008	Carrying value as at June 30, 2008	Market value as at June 30, 2008	Percentage of net assets on the basis of market value (See note 7.1.2 below)	Percentage of paid up capital of investee company
EQUITY SUB FUND									
Automobile Assembler									
Indus Motor Company Limited	4,100	1,333	-	1,754	2,346	763	469	0.71	0.01
Pak Suzuki Motor Company Limited	6,000	2,231	-	-	6,000	2,231	719	1.09	0.01
Paper and Board									
Packages Limited	31,000	10,018	1,500	21,000	11,500	3,374	2,897	4.39	0.04
Power Generation and Distribution									
Kot Addu Power Company Limited	119,000	5,744	-	119,000	-	-	-	-	-
Hub Power Company Limited	190,000	6,518	-	-	190,000	6,518	5,434	8.24	0.02
Oil and Gas Exploration Companies									
Pakistan Oilfields Limited	15,000	4,966	-	2,000	13,000	4,365	4,743	7.19	0.01
Oil and Gas Development Company Limited	51,000	6,165	-	-	51,000	6,147	6,342	9.61	0.00
Pakistan Petroleum Limited	18,000	4,812	1,800	-	19,800	4,773	4,871	7.38	0.00
Oil and Gas Marketing Companies									
Pakistan State Oil Company Limited	15,000	5,828	-	2,000	13,000	5,007	5,424	8.22	0.01
Sui Northern Gas Pipeline Limited	47,600	2,182	-	-	47,600	2,182	2,074	3.14	0.01
Chemicals									
ICI Pakistan Limited	35,200	5,443	-	5,000	30,200	4,636	4,873	7.39	0.03
Technology and Communication									
Pakistan Telecommunication Company Limited	135,500	6,407	-	-	135,500	6,407	5,236	7.94	0.00
Fertilizer									
Engro Chemical Pakistan Limited	17,000	4,036	1,700	-	18,700	4,334	5,251	7.96	0.01
Fauji Fertilizer Bin Qasim Limited	130,000	5,129	-	-	130,000	5,117	4,676	7.09	0.01
Fauji Fertilizer Company Limited	75,000	9,214	-	30,000	45,000	5,469	5,954	9.02	0.02
Cement									
DG Khan Cement Company Limited	32,000	3,603	-	20,000	12,000	1,340	807	1.22	0.01
Attock Cement	38,500	3,947	-	-	38,500	3,947	2,969	4.50	0.05
Total						<u>66,610</u>	<u>62,739</u>		
DEBT SUB FUND									
Securities sold under deferred sale arrangements									
Textile Composite									
Nishat Mills Limited	20,000	1,980	-	20,000	-	-	-	-	-
Oil and Gas Exploration Companies									
Oil and Gas Development Company Limited	60,500	6,824	-	60,500	-	-	-	-	-
Pakistan Oilfields Limited	103,500	34,828	-	101,500	2,000	749	730	1.21	0.05
Pakistan Petroleum Limited	47,500	11,847	-	47,500	-	-	-	-	-
Oil and Gas Marketing Companies									
Sui Northern Gas Pipeline Limited	5,500	390	-	5,500	-	-	-	-	-
Sui Southern Gas Company Limited	213,000	5,897	-	213,000	-	-	-	-	-
Fertilizer									
Fauji Fertilizer Bin Qasim Limited	144,000	5,840	-	144,000	-	-	-	-	-
Fauji Fertilizer Company Limited	60,000	7,220	-	60,000	-	-	-	-	-
Engro Chemical Pakistan Limited	29,000	8,128	-	18,000	11,000	3,156	3,089	5.14	0.00
Cement									
DG Khan Cement Company Limited	64,500	4,651	-	53,000	11,500	829	772	1.28	0.03
Total						<u>4,734</u>	<u>4,591</u>		
MONEY MARKET SUB FUND									
Securities sold under deferred sale arrangements									
Oil and gas exploration companies									
Oil and Gas Development Company Limited	30,000	3,585	-	30,000	-	-	-	-	-
Pakistan Oilfields Limited	55,500	17,764	-	45,500	10,000	3,741	3,648	6.65	0.03
Pakistan Petroleum Limited	124,000	31,583	-	124,000	-	-	-	-	-
Fertilizer									
Fauji Fertilizer Bin Qasim Limited	75,000	3,036	-	75,000	-	-	-	-	-
Fauji Fertilizer Company Limited	90,000	10,882	-	90,000	-	-	-	-	-
Engro Chemical Pakistan Limited	44,000	11,993	-	32,000	12,000	3,479	3,370	6.14	0.00
Total						<u>7,220</u>	<u>7,018</u>		

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

Name of the investee company	Maturity date	Profit rate	Purchases during the period	Sales during the period	Redemptions during the period	As at June 30, 2008	Cost as at June 30, 2008	Market value as at June 30, 2008	Percentage of net assets on the basis of market value see note 7.1.2 above)
Debt Sub Fund									
Dawood Hercules Chemicals Limited (note 7.2.1) ^a	September 18, 2012	6 months Kibor plus base rate of 1.2%	50	-	-	50	2,500	2,500	4.16
"Eden Housing Limited (note 7.2.2) ^a	April 2, 2013	6 months Kibor plus base rate of 2.5%	500	-	-	500	2,500	2,500*	4.16
Engro Chemical Pakistan Limited (note 7.2.2) ^a	September 1, 2015	6 months Kibor plus base rate of 1.5%	500	-	-	500	2,500	2,554	4.25
Karachi Shipyard & Engineering Works (note 7.2.2) ^a	November 2, 2015	6 months Kibor plus base rate of 0.4%	2,000	2,000	-	-	-	-	-
Maple Leaf Cement Factory Limited (note 7.2.2) ^a	December 1, 2013	6 months Kibor plus base rate of 1.7%	1,000	-	-	1,000	5,000	5,029	8.37
Security Leasing Corporation Limited II (note 7.2.2) ^a	September 19, 2012	6 months Kibor plus base rate of 1.95%	500	-	-	500	2,500	2,487	4.14
Shahmurad Sugar Mills Limited (note 7.2.3) ^a	September 30, 2012	6 months Kibor plus base rate of 2.25%	2	-	-	2	2,000	1,998	3.32
			4,552	2,000	-	2,552	17,000	17,068	-
Money Market Sub Fund									
Security Leasing Corporation Limited II (note 7.2.2) ^a	September 19, 2012	6 months Kibor plus base rate of 1.95%	500	-	-	500	2,500	2,487	4.53
Total				500	-	-	500	2,500	2,487

*This represents cost as the rate was not quoted as of June 30, 2008, however, according to the management's estimate their fair value would not be materially different from their cost. Approval of trustee as required by Rule 2(1)(m)(v) of VPS Rules has been obtained in this regard.

- 7.2.1 The nominal value of the sukuk certificates of Dawood Hercules Chemicals Limited is Rs. 50,000 each.
- 7.2.2 The nominal value of the sukuk certificates of Eden Housing Limited, Engro Chemical Pakistan Limited, Karachi Shipyard & Engineering Works, Maple Leaf Cement Factory Limited and Security Leasing Corporation Limited is Rs. 5,000 each.
- 7.2.3 The nominal value of the sukuk certificates of Shahmurad Sugar Mills Limited is Rs. 1,000,000 each.

7. FINANCIAL INSTRUMENTS SOLD ON DEFERRED SETTLEMENT BASIS

June 30, 2008

	Number of shares	Settlement	Underlying	Notional amount	Fair value	
					Assets	(Liabilities)
-----Rupees in '000-----						
8.1 Deferred sales						
8.1.1 Debt sub fund						
DG Khan Cement Company Limited	11,500	July 25, 2008	Equity indices	804	23	-
Engro Chemical Pakistan Limited	11,000	July 25, 2008	Equity indices	3,195	48	-
Pakistan Oilfields Limited	2,000	July 25, 2008	Equity indices	758	14	-
					85	-
8.1.2 Money market sub fund						
Engro Chemical Pakistan Limited	12,000	July 25, 2008	Equity indices	3,526	93	-
Pakistan Oilfields Limited	10,000	July 25, 2008	Equity indices	3,789	73	-
					166	-

9. PROFIT RECEIVABLE

June 30, 2008

	Equity sub fund	Debt sub fund	Money Market sub fund	Others	Total
-----Rupees in '000-----					
Profit receivable on savings accounts with banks	89	425	531	-	1,045
Profit receivable on placements	-	261	962	-	1,223
Profit receivable on sukuk certificates	-	754	88	-	842
	89	1,440	1,581	-	3,110

10. FORMATION COSTS

June 30, 2008

	Equity sub fund	Debt sub fund	Money Market sub fund	Others	Total
-----Rupees in '000-----					
Formation costs	250	250	250	-	750
Less: Amortisation during the period	87	87	87	-	261
	163	163	163	-	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.

June 30, 2008

11. OTHER RECEIVABLES

Note

	Equity sub fund	Debt sub fund	Money Market sub fund	Others	Total	
Receivable from Collection Account						
- others	15	502	235	40	-	777
Receivable from Equity Sub-fund	15	-	436	399	-	835
		502	671	439	-	1,612

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

June 30, 2008

Note

	Equity sub fund	Debt sub fund	Money Market sub fund	Others	Total	
Management remuneration	12.1	82	73	67	-	222
Front-end fee payable		-	-	-	140	140
Formation cost payable		79	79	79	-	237
		161	152	146	140	599

- 12.1 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.

13. 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.

14. 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.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

		June 30, 2008			
Note	Equity sub fund	Debt sub fund	Money Market sub fund	Others	Total
-----Rupees in '000-----					
	6	5	5	-	16
	51	-	-	-	51
11	-	-	-	502	502
11	436	-	-	235	671
11	399	-	-	40	439
	<u>892</u>	<u>5</u>	<u>5</u>	<u>777</u>	<u>1,679</u>

16. AUDITORS' REMUNERATION

		For the period June 16, 2007 to June 30, 2008			
	Equity sub fund	Debt sub fund	Money Market sub fund	Others	Total
-----Rupees in '000-----					
	40	40	40	-	120
	17	17	17	-	51
	22	22	22	-	66
	5	5	5	-	15
	<u>84</u>	<u>84</u>	<u>84</u>	<u>-</u>	<u>252</u>

17. EARNINGS PER UNIT OUTSTANDING - BASIC

		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	
-----Rupees in '000-----				
Units outstanding as at June 30, 2008	638,489	553,580	508,430	
-----Rupees in '000-----				
Earnings per unit outstanding - basic	3.34	8.56	7.94	

17.1 There were no convertible dilutive potential units outstanding on June 30, 2008.

18. 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 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 at period end are as follows:

June 30, 2008

Equity sub fund	Debt sub fund	Money Market sub fund	Others
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-----Rupees in '000-----

Units sold to:

Al Meezan Investment Management Limited
(Equity sub fund: 500,000 units; debt sub fund: 500,000 units;
money market sub fund: 500,000 units)
Directors and executives of the pension fund manager
(Equity sub fund: 23,341 units; debt sub fund: 5,875 units)

51,670	54,280	53,970	-
2,412	637	-	-

Transactions and balances with connected persons:

**Al Meezan Investment Management Limited
- pension fund manager**

Remuneration for the period	991	858	817	-
Formation cost payable	79	79	79	-
Front-end fee for the period	-	-	-	140
	1,070	937	896	140
Amount paid during the period	(909)	(785)	(750)	-
Balance at the end of the period	161	152	146	140

Meezan Bank Limited

Bank balance	1,348	10,604	104	918
Profit on savings accounts and placements	34	929	850	-

Central Depository Company - trustee of the fund

Remuneration for the period	116	101	96	-
CDS charges for the period	8	8	7	-
	124	109	103	-
Amount paid during the period	(115)	(101)	(95)	-
Balance at the end of the period	9	8	8	-

19. RISK MANAGEMENT

The fund primarily invests in certificates of investments based on Shariah compliant structures, bank deposits with the scheduled Islamic Banks, Shariah compliant spread transactions, Shariah compliant debt securities including sukuk certificates.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The major types of financial risk to which the Fund is exposed are market risk, credit risk, liquidity risk and interest rate risk. The risk management policies employed by the Fund are discussed below.

19.1 Market risk

Market 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 unit holders 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 pension 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.

The Fund's overall market positions are monitored on a monthly basis by the Board of Directors of the Pension Fund manager.

Details of the Fund's investment portfolio at the balance sheet date are disclosed in note 7 to these financial statements. All individual investments in debt and equity instruments are disclosed separately.

Details of the nature and terms of derivative financial instruments outstanding at the balance sheet date are set out in note 8 of these financial statements.

19.2 Concentration of credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The pension fund manager has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit risk arising on debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least "A". The Fund receives a monthly rating update, against which investments are reviewed. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties.

19.3 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 unit holder's redemptions at any time. The Fund's investments are considered to be readily realisable, as a major portion is 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.

19.4 Derivative risk

Derivative risk includes the following risks:

- There is no guarantee that a market will exist when a Fund wants to buy or sell the derivative contract.
- There is no guarantee that an acceptable counterparty will be willing to enter into the derivative contract.
- The Exchanges on which the derivative contracts are traded may set daily trading limits, preventing a Fund from closing out a particular contract.
- The price of a derivative may not accurately reflect the value of the underlying security or index.

The Fund measures and manages its derivative risk using various financial models.

19.5 Small cap risk

Stocks of smaller companies tend to be more volatile and less liquid than those of large companies and tend to have a shorter history of operations than larger companies. Small cap risk is the risk that the value of the stocks of the smaller companies may fluctuate as a result of volatility in results and operations. The Fund manages small cap risk by calculating the daily Impact Cost of such stocks. Any adverse changes in impact cost of stocks are closely monitored so that any indications of liquidity crunches are highlighted and necessary action taken.

19.6 Issuer specific risk

Issuer specific risk consists of pre-settlement and settlement risks. Pre-settlement risks is the risk of loss due to counterparty's failure to perform on a contract / agreement. Settlement risk is the risk of loss when a counterparty defaults. The Fund manages this risk by entering into transactions with diverse credit worthy counterparties thereby mitigating any significant concentration of issuer specific risk.

19.7 Capital risk management

The Fund's capital is represented by redeemable units of the sub-funds. They are entitled to payment of a proportionate share based on the sub-fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in Participants' sub-funds. In accordance with risk management policies in notes 19.1 to 19.6, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

19.8 Yield / interest rate risk

Yield / interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates.

	Effective yield / profit rate %	Profit / mark-up bearing			Non-profit / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
(Rupees in '000)								
Financial assets								
Balances with banks	4.7 to 9.5	58,917	-	58,917	68	-	68	58,985
Placements with banks	9.85 to 10.35	26,250	-	26,250	-	-	-	26,250
Receivable on sale of investments		-	-	-	751	-	751	751
Investments at fair value through profit or loss	11.56 to 12.64	-	19,555	19,555	74,348	-	74,348	93,903
Financial instruments sold on deferred settlement basis	-	-	-	-	251	-	251	251
Dividend receivable		-	-	-	480	-	480	480
Profit receivable		2,268	842	3,110	-	-	-	3,110
Deposit with CDC		-	-	-	300	-	300	300
2008		87,435	20,397	107,832	76,198	-	76,198	184,030
Financial liabilities								
Payable against purchase of investments		-	-	-	2,631	-	2,631	2,631
Payable to Al-Meezan Investment Management Limited - pension fund manager		-	-	-	599	-	599	599
Payable to Central Depository Company of Pakistan Limited - trustee of the fund		-	-	-	25	-	25	25
Payable to auditors		-	-	-	180	-	180	180
Accrued expenses and other liabilities		-	-	-	51	-	51	51
2008		-	-	-	3,486	-	3,486	3,486

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities either equal or approximate their fair values.

21. PERFORMANCE TABLE

For the period June 16, 2007 to June 30, 2008

	Equity sub fund	Debt sub fund	Money Market sub fund
-----Rupees in '000-----			
Net income	2,134	4,737	4,037
Net realised gain on sale of investments	2,771	886	665
Unrealised loss on re-measurement of investments at fair value through profit and loss	(3,871)	(75)	(215)
Gain on re-measurement of financial instruments sold on deferred settlement basis	-	85	166
Dividend income	2,726	-	-
Profit on deposit accounts with banks	1,130	2,285	2,591
Profit on placements with banks	-	1,047	1,747
Profit on sukuk certificates	-	1,534	236
Transactions in securities			
Purchases	87,874	114,606	81,343
Sales	23,834	93,436	71,990
Total contribution received	64,738	55,597	50,894
----- (Rupees) -----			
NAV per unit	103.34	108.56	107.94
Earning per unit	3.34	8.56	7.94
Highest issue price per unit	124.59	108.56	107.94
Lowest issue price per unit	94.04	100.25	100.18

22. DATE OF AUTHORISATION

These financial statements were authorised on August 7, 2008 by the board of directors of the pension fund manager.

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

Chief Executive

Director