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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. Aliuddin Ansari	Director
Mr. P. Ahmed	Director
Mr. Rana Ahmed Humayun	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE PENSION FUND MANAGER

Syed Owais Wasti

AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Aliuddin Ansari	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
Dubai Islamic Bank
UBL Ameen - 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
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 THE 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, 2010.

Economic Review

Pakistan economy remained in consolidation phase during fiscal year 2010 with a gradual and steady improvement on the macroeconomic front. GDP grew by 4.10% in fiscal year 2010 driven by 4.9% growth in the manufacturing sector (as compared to 8% decline in fiscal year 2009) and 4.6% expansion in services. However, growth in agriculture was rather disappointing at 2% against a target of 3.8% and in comparison to 4% in fiscal year 2009.

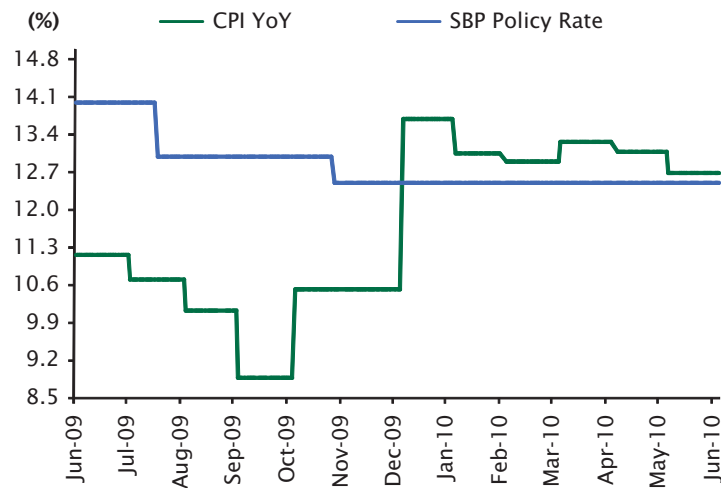
A major macroeconomic achievement of this year has been the sharp reduction of 62% in current account deficit - from US\$ 9.3 billion (5.6% of GDP) in fiscal year 2009 to US\$ 3.5 billion (2.0% of GDP) this year. Release of funds from international donor agencies namely IMF and improved balance of trade figures provided a strong support to the external account of the country. Moreover, remittance inflows made new records, with the annual figure totalling to US\$ 8.91 billion. As a result, foreign exchange reserves reached an all time high of US\$ 16.6 billion which is equivalent to almost 6 months of imports.

On domestic front, the provisional tax collection for the year was approximately Rs. 1,328 billion. Although this is less than the targeted amount of Rs. 1,380 billion, it represents an impressive 15.7% growth from the previous year's figures. However, government's fiscal deficit and its financing via borrowing from the central bank remained a key source of concern for monetary authorities and for donor agencies during fiscal year 2010. Fiscal deficit stood at 5.8% of GDP in fiscal year 2010, against an original target of 4.9% and revised target of 5.2% agreed with the IMF. Consequently, government was also unable to achieve the target of net zero borrowing from the central bank during the year, overshooting it by Rs. 41.9 billion.

Monetary Review

With the beginning of new financial year, as inflation started easing off, State Bank continued with its expansionary monetary policy by reducing the discount rates by another 150 basis points to 12.5% in first half of fiscal year 2010. However, later on the policy rate remained unchanged owing to (1) resurgence and persistence in inflation (2) risk to external account from rising international commodity prices and (3) weak fiscal position of the government. Average yearly inflation stood at 11.7% in fiscal year 2010 as compared to 20.8% in the preceding year. Moreover, to meet IMF requirements and to stabilize interest rates, the State Bank introduced an interest rate corridor, providing a reverse repo facility at 300 basis points below the repo rate.

The soft monetary stance resulted in six month KIBOR to decline by 39 basis points to close the year at 12.37%. However, six month T-bill cut off rate increased by 29 basis points to close at 12.3%. Moreover, the introduction of interest rate corridor stabilized the overnight call and repo rates within a narrow band of 11.5% to 12.5%. In the twenty-five T-bill auctions conducted by the State Bank during the current fiscal year, a sum of Rs. 1,416 billion was mopped up from the market, while T-bills worth Rs. 1,083 billion matured in the same period, thus causing a liquidity drain of Rs. 333 billion during the period. Moreover, State Bank conducted fourth Ijarah Sukuk auction in September 2009 and accepted Rs. 14.4 billion at the cut off rate of six month T-bill minus 5 basis points (current coupon of 12.25%). With this auction, the total size of Ijarah sukuks issued increased to Rs. 42 billion. The following graphs show the trend in interest rates during the period under review:

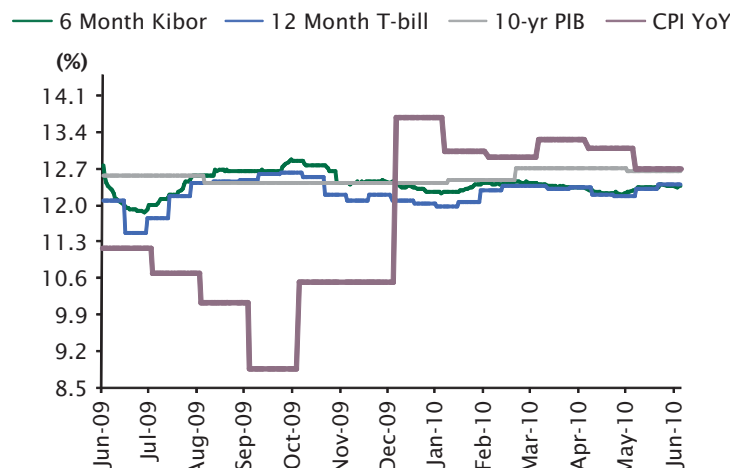


Equity Market Review

The equity market continued to perform well in the fiscal year ended June 30, 2010 as KSE-100 Index appreciated by 35.74% to close at 9722, following negative returns for two consecutive years (-11% in fiscal year 2008 and -42% in fiscal year 2009). Cheap valuations and improving macroeconomic situation attracted investors, particularly foreign institutional investors, to the market. In the fiscal year 2010, average daily traded value increased to Rs. 7 billion as compared to Rs. 4.4 billion in the previous year, while average traded volume expanded to 161 million shares as compared to 105 million shares in fiscal year 2009. Our benchmark KSE - Meezan Index appreciated by 36.87% during the same period.

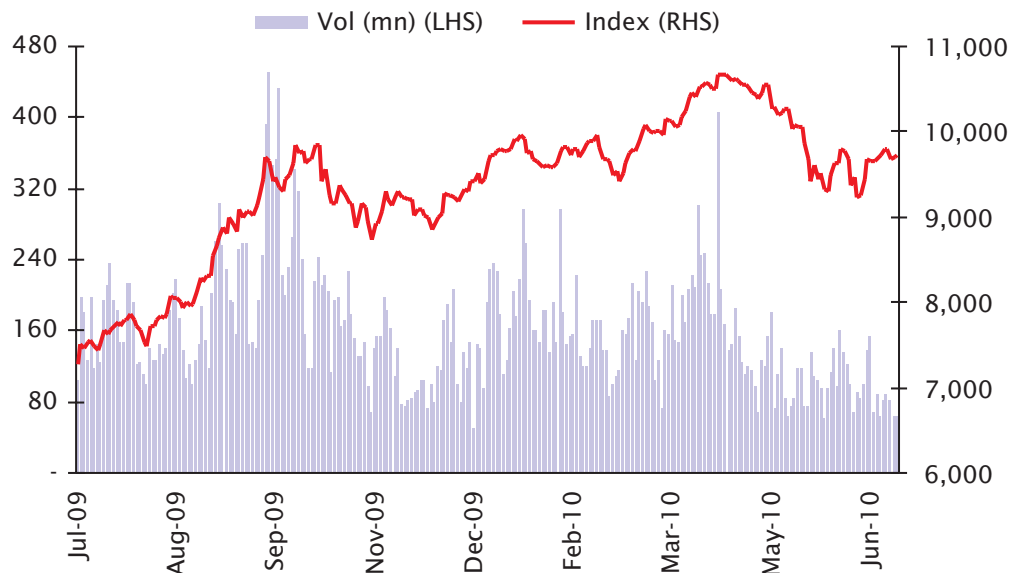
At the beginning of the financial year, uncertainty about the discount rate cut by the State Bank in the monetary policy statement and late release of IMF tranche caused some concern in the minds of investors and hence the market moved at a slow pace. However, it quickly regained its momentum with the discount rate cut, disbursement of IMF tranche, continuous decline in inflation and foreign inflows.

This momentum was arrested in mid October as uncertain law and order situation led to apprehension amongst investors. Also on the domestic political front, the uproar relating to conditions attached to the Kerry Lugar Bill and controversy regarding National Reconciliation Ordinance (NRO) kept the investors sidelined from the market. The index continued to hover below 10,000 level with volumes remaining thin. However, this lacklustre behaviour did not continue for long. Continuous inflow of foreign portfolio investment, improved law and order situation, replacement of Finance Minister, coupled with improvements reported in macroeconomic indicators helped KSE 100 index to cross 10,000, for the first time since August 2008 (after 19 months). The index touched highest level of 10,677 in mid of April 2010.





Subsequently, uncertainty with respect to the impact of budget along with capital gain tax (CGT) made the investors cautious and hence KSE 100 index shed over 1,500 points. The much-anticipated CGT was announced in the budget on June 5, 2010 being effective from July 1, 2010. Since there was a lack of clarity regarding the modalities of CGT, the investors continued to maintain a cautious stance and hence the volumes temporarily dried up from the market. However, trading volumes gradually improved in anticipation of introduction of leveraged product with KSE 100 index eventually closing the year at 9,722.



Foreign Flows

Macroeconomic recovery and inclusion of Pakistan in MSCI Frontier Market Index in June 2009 attracted offshore investors to Pakistan with a net inflow of US\$ 568 million in the fiscal year 2010 as compared to massive outflow of US\$ 445 million the year before. These inflows were concentrated in a few scrips particularly in OGDC. As a result, OGDC made an important contribution of 1,100 points (44%) in the total rise of 2,560 points in KSE-100 Index in fiscal year 2010. With interest rates in most developed countries hitting rock bottom and Pakistan's stock market trading at a significant discount to the regional markets, it seems that foreign investors have realized the growth potential in Pakistani market and foreign portfolio investment will continue to flow.

New Developments

New Sector Classification

KSE has introduced new sector classifications in line with international standards. As per the new classification, the total number of sectors has been reduced from 35 to 32. Three major sectors of the old classification namely the oil and gas exploration, oil marketing companies and refineries have been merged in one sector called 'oil and gas' sector which has weight of 39% and 52% in KSE-100 index and KMI-30 Index respectively.

New Listings

In the fiscal year 2010, there was significant improvement in new listings as 8 new Initial Public Offerings (IPOs) were done compared to only 4 IPOs the year before. These 8 IPOs were worth Rs. 4.3 billion compared to last year's IPOs of Rs. 1.4 billion. Out of 8 IPOs, 6 of the issues were oversubscribed (with Fatima Fertilizer being the largest offering) while Nishat Chunian Power and Agritech (Pak American Fertilizer) were undersubscribed.



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, 2010 the equity sub fund earned a gross income of Rs.21.9 million, as compared to a loss of Rs. 19.8 million in 2009. The main contributors to this figure were realized gains on sale of equity securities of Rs. 8.4 million and unrealized gains of Rs. 5.7 million. The fund also received dividend income of Rs. 6.3 million during the year. After accounting for expenses of Rs. 2.2 million, equity sub fund recorded a net profit of Rs. 19.7 million as compared to net loss of Rs. 20.8 million in the previous year. The net assets of this fund stood at Rs.104 million as at June 30, 2010, showing a growth of 68.65% during the period under review. During the period, the net asset value (NAV) of the fund increased from Rs. 76.71 to Rs. 101, thus showing return of 31.66%.

Debt Sub Fund

For the year under review, the debt sub fund earned gross income of Rs.13.15 million, as compared to Rs. 7.8 million in corresponding period last year. The main contributor to this income was profit on sukuk certificates worth Rs. 6.6 million. After accounting for expenses of Rs.1.7 million, the debt sub fund recorded a net gain of Rs.11.4 million. The net assets of the fund appreciated by 40.38% during the year and stood at Rs.98 million as on June 30, 2010. The net asset value (NAV) of the fund closed at Rs. 129.86 as on June 30, 2010, thus providing an annualized return of 9.08%

Money Market Sub Fund

The money market sub fund recorded gross income of Rs.8.2 million for the fiscal year 2010 showing growth of 15.72% over the corresponding period. Main contribution was from profit on bank deposits and placements which contributed Rs. 4.3 million to the overall income. The fund recorded net profit of Rs.6.8 million, after accounting for expenses worth Rs.1.4 million. The fund managed Rs.74 million worth of net assets under management at the financial close of the year 2010.

The net assets of the fund appreciated by 20.66% during the year and stood at Rs.74 million as on June 30, 2010. The net asset value (NAV) of the fund closed at Rs. 129.14 as on June 30, 2010, thus providing an annualized return of 8.22%

Charity Statement

According to the Trust Deed of MTPF, charity refers to the amount paid by pension fund manager out of the income of the Trust to a charitable / welfare organization, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2010 an amount of Rs. 0.115 million was accrued as charity payable.



Investment Objective and Policy

The objective of MTPF 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 when other income avenues have exhausted. MTPF aims to provide participants a regular Halal income stream after retirement/disability when they no longer earn regular income to support their living.

Future Outlook

Pakistan's economy has seen a steady turnaround in the year. The S&P rating upgrade has accelerated a pickup in foreign investment in Pakistan's equity market. Since June 2009, when Pakistan market entered the MSCI Frontier Index, nearly US\$ 570 million has flowed into the stock market, as compared to a net outflow of US\$ 445 million in the previous year. The significant build up of foreign exchange reserves has also improved confidence in country's ability in meeting its financial commitments.

The implementation of capital gain tax from July 1, 2010 has negatively impacted volumes but we believe, the introduction of the leverage product in the market will improve the liquidity position and attract the investors back to the equity market. Moreover, Pakistan's stock market is trading at a P/E multiple of under 7, which is almost at 45% discount to other regional markets. This makes KSE an attractive option for foreign investors, who are expected to continue to make investments at the local bourses.

However, the recent floods along with law & order situation and energy crisis have derailed the macro economic stability of the country, with estimated losses being quoted in billions of dollars. As a result, GDP growth forecast has been revised down by 1-2% from earlier target of 4.5%. The exact losses and the materialization of foreign pledges in this regard will take time to firm up.

Appointment of Auditors

The outgoing Auditors A.F. Ferguson & Co. Chartered Accountants having completed the term of three consecutive years as required under VPS rules 2005 stand retired and as recommended by the Audit committee, the Board of Directors of the pension fund manager has appointed Ernst & Young Ford Rhodes Sidat Hyder, as the fund's auditor for the year ending June 30, 2011.

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, 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 on behalf of the Board

Date: September 28, 2010
Karachi.

Mohammad Shoab, CFA
Chief Executive



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE PARTICIPANTS

MEEZAN TAHAFFUZ PENSION FUND

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 year ended June 30, 2010 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

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

Karachi, September 24, 2010



CENTRAL
DEPOSITORY
COMPANY



Meezan Bank
The Premier Islamic Bank

Report of the Shar'iah Advisor – Meezan Tahaffuz Pension Fund

Karachi
September 16, 2010/ Shawwal 06, 1431 A.H

In the capacity of *Shar'iah Adviser*, we have prescribed six criteria for Shar'iah compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Illiquid assets to total assets, (iv) Investment in non-Shar'iah compliant activities to Total assets (v) Shar'iah Non Compliant Income to Gross Revenue and (vi) 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 Shar'iah compliance with the Shar'iah 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 Shar'iah requirements. Following is the list of investments of MTPF as on June 30, 2010 and their evaluation according to the screening criteria established by us. (December 31, 2009 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) % of Non-Shar'iah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>20%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Attock Cement	Cement Manufacturer	0.12%	15.45%	1.14%	74.00%	(3.39)	52.00

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3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi, Pakistan.
Tel: (92-21) 35610582 Fax: (92-21) 35610375, 35611451 www.meezanbank.com



Fauji Fertilizer Bin Qasim Limited	Manufacturer of Fertilizer	23.37%	0.00%	2.51%	70.00%	(15.82)	26.13
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	30.04%	8.93%	1.92%	58.00%	(31.23)	102.93
ICI Pakistan Limited	Manufacturers of Paints, Soda Ash, Staple Fibre and Chemicals	0.17%	0.01%	0.51%	65.00%	2.09	168.9
Indus Motors Company Limited	Automobile Assembler	0.05%	0.00%	2.43%	44.00%	17.88	196.52
Lucky Cement	Cement Manufacturer	25.91%	0.00%	0.00%	94.00%	(37.13)	66.24
National Refinery Limited	Oil Refinery	0.00%	1.45%	0.66%	39.00%	(9.90)	176.82
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	6.38%	0.81%	50.00%	7.55	110.61
Packages Limited	Manufacturers of Paper and Board	27.30%	3.04%	1.30%	88.00%	(96.53)	144.00
Pak Suzuki Motor Company Limited	Automobile Assembler	2.96%	0.02%	1.71%	68.00%	28.76	88.96
Pak. Telecommunication. Co. Ltd	Provider of Telecommunication Services	9.76%	11.52%	3.22%	75.00%	(9.37)	17.65
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.53%	2.33%	79.00%	(8.36)	230.77
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.17%	22.92%	3.24%	42.00%	30.97	189.59
Pakistan State Oil Company Limited	Distribution of Oil	11.27%	0.00%	0.06%	39.00%	(232.69)	297.44
Shell Pakistan Ltd.	Distribution of Oil	25.83%	0.01%	0.02%	68%	(210.97)	250.36
Thal Limited	Manufacturers of Jute bags and Acs and Wire Harness of Cars	17.88%	0.63%	0.20%	83.00%	(32.97)	84.87
Tripak Films Ltd	Manufacturer of Biaxially Oriented Polypropylene	32.76%	0.00%	0.32%	73.00%	(56.03)	103.00
Unilever	FMCG	10.08%	0.89%	0.04%	75.00%	(399.35)	2300

- * All interest based debts.
- ** These ratios are for the calculation of non-Shar'iah Compliant Element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

- ii. On the basis of information provided by the management, all operations of MTPF for the year ended June 30, 2010 have been in compliance with the Shar'iah principles.



In light of the above, we hereby certify that all the provisions of the Scheme and investments made on account of MTPF under management of Al Meezan Investment Management Limited (Al Meezan) are Shar'iah compliant and in accordance with the criteria established by us.

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

A handwritten signature in black ink, appearing to be "Dr. Muhammad Imran Ashraf Usmani".

Dr. Muhammad Imran Ashraf Usmani
Shar'iah Advisor



A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co
Chartered Accountants
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I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
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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 the Fund for the year ended June 30, 2010.

Pension Fund Manager's responsibility

Pension Fund Manager 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, 2010.

A.F. Ferguson & Co.
Chartered Accountants
Karachi, September 30, 2010



A.F. FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

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AUDITORS' REPORT TO THE PARTICIPANTS OF MEEZAN TAHAFFUZ PENSION FUND

We have audited the annexed financial statements comprising:-

- i) Balance sheet;
- ii) Income statement;
- iii) Cash flow statement;
- iv) Statement of movement in participants' sub-funds;
- v) Contribution table; and
- vi) Number of units in issue.


of **Meezan Tahaffuz Pension Fund** as at June 30, 2010 and for the year ended June 30, 2010 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, 2010 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 30, 2010

Audit Engagement Partner: Saad Kaliya

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BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010				2009
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
----- (Rupees in '000) -----						
Assets						
Balances with banks	5	16,828	38,902	41,898	97,628	47,916
Placements	6	-	8,300	11,700	20,000	27,900
Receivable against sale of investments		-	-	-	-	228
Investments at 'fair value through profit or loss'	7	88,354	48,782	18,818	155,954	114,355
Dividend receivable		775	-	-	775	363
Profit receivable	8	187	3,205	2,592	5,984	4,387
Formation costs	9	-	-	-	-	240
Deposit with Central Depository Company (CDC) of Pakistan Limited		100	100	100	300	300
Total assets		<u>106,244</u>	<u>99,289</u>	<u>75,108</u>	<u>280,641</u>	<u>195,689</u>
Liabilities						
Payable against purchase of investments		1,303	-	-	1,303	923
Payable to Al Meezan Investment Management Limited (Al Meezan) - pension fund manager	10	457	449	424	1,330	900
Payable to CDC - trustee of the fund	11	12	11	9	32	75
Payable to auditors		66	67	67	200	150
Payable to Securities and Exchange Commission of Pakistan (SECP)	12	29	26	22	77	56
Accrued expenses and other liabilities	13	488	228	136	852	111
Total liabilities		<u>2,355</u>	<u>781</u>	<u>658</u>	<u>3,794</u>	<u>2,215</u>
Net assets		<u>103,889</u>	<u>98,508</u>	<u>74,450</u>	<u>276,847</u>	<u>193,474</u>
Participants' sub-funds (as per statement attached)		<u>103,889</u>	<u>98,508</u>	<u>74,450</u>	<u>276,847</u>	<u>193,474</u>
Number of units in issue (as per statement attached)		<u>1,028,569</u>	<u>758,549</u>	<u>576,499</u>		
Net assets value per unit (Rupees)		<u>101.00</u>	<u>129.86</u>	<u>129.14</u>		

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

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010				2009	
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total	
Note -----(Rupees in '000)-----						
Income						
Profit on sukuk certificates	-	6,658	2,483	9,141	7,074	
Profit on savings accounts with banks	841	1,982	3,572	6,395	5,853	
Profit on placements	-	363	753	1,116	2,791	
Unrealised gain / (loss) on re-measurement of investments at 'fair value through profit or loss' (net)	7	5,757	(892)	(270)	4,595	(17,835)
Provision against sukuk certificate	7.3	-	(120)	-	(120)	-
Provision for accrued profit on investment	7.3	-	(187)	-	(187)	-
Net realised gain / (loss) on sale of investments	8,407	687	51	9,145	(2,413)	
Dividend income	6,283	-	-	6,283	3,474	
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (net)	635	4,666	1,656	6,957	(3,847)	
Total income / (loss)	21,923	13,157	8,245	43,325	(4,903)	
Expenses						
Remuneration of Al Meezan - pension fund manager	10.1	1,286	1,160	979	3,425	2,560
Remuneration of CDC - trustee of the fund	11	128	116	98	342	299
Annual fee of SECP	12	29	26	22	77	56
Auditors' remuneration	14	108	109	110	327	225
Amortisation of formation cost	9	80	80	80	240	249
Securities' transaction cost		137	-	-	137	55
Custody and settlement charges		7	6	5	18	19
Legal advisory fee		-	-	-	-	20
Workers' Welfare Fund	13.2	395	228	136	759	-
Bank charges		14	8	8	30	7
Total expenses		2,184	1,733	1,438	5,355	3,490
Net income / (loss)		19,739	11,424	6,807	37,970	(8,393)
Earnings per unit outstanding - basic (Rupees)	15	19.19	15.06	11.81		

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

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

Mohammad Shoab, CFA
Chief Executive

Mazhar Sharif
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010				2009
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
Note -----(Rupees in '000)-----					
CASH FLOW FROM OPERATING ACTIVITIES					
Net income / (loss)	19,739	11,424	6,807	37,970	(8,393)
Adjustments for:					
Dividend income	(6,283)	-	-	(6,283)	(3,474)
Profit on sukuk certificates	-	(6,658)	(2,483)	(9,141)	(7,074)
Profit on savings accounts with banks	(841)	(1,982)	(3,572)	(6,395)	(5,853)
Profit on placements	-	(363)	(753)	(1,116)	(2,791)
Unrealised (gain) / loss on re-measurement of investments at 'fair value through profit or loss'	(5,757)	892	270	(4,595)	17,835
Provision against sukuk certificate	-	120	-	120	-
Provision for accrued profit on investment	-	187	-	187	-
Amortisation of formation cost	80	80	80	240	249
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(635)	(4,666)	(1,656)	(6,957)	3,847
	6,303	(966)	(1,307)	4,030	(5,654)
(Increase) / decrease in assets					
Placements	-	5,650	2,250	7,900	(1,650)
Receivable against sale of investments	228	-	-	228	523
Investments at 'fair value through profit or loss'	(25,697)	(11,806)	379	(37,124)	(38,287)
Financial Instrument sold on deferred settlement basis	-	-	-	-	251
Other receivables	-	-	-	-	835
	(25,469)	(6,156)	2,629	(28,996)	(38,328)
Increase / (decrease) in liabilities					
Payable against purchase of investments	380	-	-	380	(1,708)
Payable to Al Meezan - pension fund manager	44	142	244	430	301
Payable to CDC - trustee of the fund	(10)	(17)	(16)	(43)	50
Payable to auditors	16	17	17	50	(30)
Payable to SECP	13	5	3	21	(3)
Accrued expenses and other liabilities	379	227	135	741	(791)
	822	374	383	1,579	(2,181)
Dividend received	5,871	-	-	5,871	3,591
Profit received on savings accounts with banks	754	893	2,691	4,338	5,741
Profit received on sukuk certificates	-	6,349	2,507	8,856	5,669
Profit received on placements with banks	-	426	1,248	1,674	3,031
Net cash (outflow) / inflow from operating activities	(11,719)	920	8,151	(2,648)	(28,131)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipts of contribution	26,816	22,142	7,735	56,693	20,096
Payment on withdrawal	(3,633)	(564)	(136)	(4,333)	(3,034)
Net cash inflow from financing activities	23,183	21,578	7,599	52,360	17,062
Net cash inflow / (outflow) during the year	11,464	22,498	15,750	49,712	(11,069)
Cash and cash equivalents at the beginning of the year	5,364	16,404	26,148	47,916	58,985
Cash and cash equivalents at the end of the year	16,828	38,902	41,898	97,628	47,916

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

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	2010				2009
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	------(Rupees in '000)-----				
Net assets at the beginning of the year	61,602	70,172	61,700	193,474	180,958
Amount received on issue of units (2010: Equity sub fund: 263,416 units; Debt sub fund: 173,613 units; Money market sub fund: 60,555 units) (2009: Equity sub fund: 170,965 units; Debt sub fund: 52,149 units; Money market sub fund: 13,411 units)	26,816	22,142	7,735	56,693	20,096
Amount paid on redemption of units (2010: Equity sub fund: 37,939 units; Debt sub fund: 4,490 units; Money market sub fund: 1,129 units) (2009: Equity sub fund: 6,362 units; Debt sub fund: 16,303 units; Money market sub fund: 4,768 units)	(3,633)	(564)	(136)	(4,333)	(3,034)
	23,183	21,578	7,599	52,360	17,062
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(635)	(4,666)	(1,656)	(6,957)	3,847
Net income / (loss) for the year	19,739	11,424	6,807	37,970	(8,393)
Net assets at the end of the year	<u>103,889</u>	<u>98,508</u>	<u>74,450</u>	<u>276,847</u>	<u>193,474</u>

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

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



CONTRIBUTION TABLE FOR THE YEAR ENDED JUNE 30, 2010

Contributions net of front end fee received during the year	2010							2009
	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund		Total (Rupees in '000)	Total (Rupees in '000)
	Units	Rs in '000	Units	Rs in '000	Units	Rs in '000		
Individuals - issue of units	<u>263,416</u>	<u>26,816</u>	<u>173,613</u>	<u>22,142</u>	<u>60,555</u>	<u>7,735</u>	<u>56,693</u>	<u>18,722</u>

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

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

**Mohammad Shoaib, CFA
Chief Executive**

**Mazhar Sharif
Director**

NUMBER OF UNITS IN ISSUE FOR THE YEAR ENDED JUNE 30, 2010

	2010		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
	-----Number of units-----		
Total units outstanding at the beginning of the year	803,092	589,426	517,073
Add: units issued / converted / reallocated during the year	263,416	173,613	60,555
Less: units redeemed / converted / reallocated during the year	(37,939)	(4,490)	(1,129)
Total units in issue at the end of the year	<u>1,028,569</u>	<u>758,549</u>	<u>576,499</u>

	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>

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

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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 as pension fund manager and CDC as trustee. The Trust Deed was executed and approved by the 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 The Fund 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 the 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 unlisted 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the trust deed, the VPS Rules and the directives issued by the SECP.

Wherever the requirements of the trust deed, the VPS Rules or the said directives differ with the requirements of IFRSs, the requirements of the trust deed, the VPS Rules and the said directives take precedence.

3.2.1 Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010:

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after July 1, 2009:

(i) IAS 1 (Revised), 'Presentation of Financial Statements' (effective January 1, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statement (the income statement) as more fully explained in note 3.3.1 below.

(ii) IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at 'fair value through profit or loss' as it relates to items that are 'held for trading' was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have an impact on the Fund's financial statements.

(iii) IFRS 7 'Financial instruments - Disclosures' (amendment) (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, the amendment is not expected to have a significant effect on the Fund's financial statements as more fully explained in note 3.3.2 below.

(iv) IFRS 8, 'Operating segments'. This standard replaces IAS 14, 'Segment reporting' and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (i.e. Investment Committee) of the management company. The Fund has applied IFRS 8 from July 1, 2009 as more fully explained in note 3.3.3 below.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2009 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.



3.2.2 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

The following amendment to existing standards have been published and are mandatory for accounting periods beginning on or after July 1, 2010 or later periods:

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Fund will apply IAS 1 (amendment) from July 1, 2010. It is not expected to have a material impact on the Fund's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or do not have any significant effect on Fund's operations and are therefore not mentioned in these financial statements.

3.3 Changes in accounting policies

3.3.1 The Fund has applied IAS 1 (Revised) from July 1, 2009, and has elected to present one performance statement (the income statement). The change in accounting policy has not affected the assets and liabilities of the Fund for either the current or prior periods and hence restated balance sheet has not been presented.

3.3.2 The Fund has applied IFRS 7 'Financial instruments – Disclosures' from July 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The amendment has only resulted in additional disclosures in the Fund's financial statements and does not have any impact on the classification and measurement of the Fund's financial instruments. The change in accounting policy has not affected the assets and liabilities of the Fund for either the current or prior periods and hence restated balance sheet has not been presented.

3.3.3 The Fund has applied IFRS 8, 'Operating Segments', from July 1, 2009. The application of the standard does not have any impact on the Fund's financial statements. The change in accounting policy has not affected the assets and liabilities of the Fund for either the current or prior periods and hence restated balance sheet has not been presented.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out as follows.

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 judgements

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 judgement in the process of applying its accounting policies. The areas involving a higher degree of judgement 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, and 7)
- (b) Impairment of financial instruments (note 4.3.5)
- (c) Amortisation of formation costs (note 4.10)

Estimates and judgements 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'

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.

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 mentioned in (a) to (c) above.

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 charged to the income statement 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. Effective July 1, 2009 the fund has changed its policy and now changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement. Previously these changes were recognised in statement of movement in participants' sub funds.

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 debt securities and derivatives were determined as follows:

- The carrying value of debt securities is based on the value determined and announced by the Mutual Funds Association of Pakistan (MUFAP).
- Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing. Additional provision may be recognised when there is objective evidence of the continuity of non-performance. Further the reversal of provisions are made where there is an objective evidence that the impairment is reversed.

The fair value of shares of listed companies / units of funds, derivatives and financial instruments sold on deferred settlement basis is based on their price quoted on the Karachi Stock Exchange at the reporting date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

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 other comprehensive income and recognised in the income statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is not reversed through the income statement but is recognised in other comprehensive income.



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 Fund 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 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) Dividend income is recognised when the Fund's right to receive the payment is established.
- (iv) 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 balance sheet 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 VPS Rules.

5. BALANCES WITH BANKS

2010				2009
Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total

Note(Rupees in '000).....

Current accounts		102	10	9	121	87
Savings accounts	5.1	16,726	38,892	41,889	97,507	47,829
		<u>16,828</u>	<u>38,902</u>	<u>41,898</u>	<u>97,628</u>	<u>47,916</u>

5.1 The balances in savings accounts bear expected profit which ranges from 5% to 11.45% (2009: 4.97% to 15%) per annum.

5.2 This includes an aggregate amount of Rs 8.168 million received in the Fund's collection account which was subsequently transferred to these sub-funds.

6. PLACEMENTS

Placements carry expected profit rates at 11% per annum (2009: 9.85% per annum to 13.75% per annum) and are due to mature during the period from April 20, 2010 to July 20, 2010.



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

2010				2009
Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total

Note -----(Rupees in '000)-----

'Held for trading' - shares of listed companies	7.1	88,354	-	-	88,354	56,900
- sukuk certificates	7.2	-	28,630	17,500	46,130	32,500
		88,354	28,630	17,500	134,484	89,400
Investments at 'fair value through profit or loss upon initial recognition'	7.3	-	20,152	1,318	21,470	24,955
		88,354	48,782	18,818	155,954	114,355

7.1 'Held for trading' - shares of listed companies

Name of the investee company	As at July 1, 2009	Purchases during the year	Cost of purchase	Bonus / rights issue	Sales during the year	As at June 30, 2010	Carrying value as at June 30, 2010	Market value as at June 30, 2010	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	Rs in '000	Rupees in '000	Rupees in '000	Rupees in '000			
EQUITY SUB FUND											
Automobile and parts											
Indus Motor Company Limited	8,846	9,000	1,826	-	1,000	16,846	2,623	4,420	1,797	4.25	0.56
Pak Suzuki Motor Company Limited	14,000	22,000	1,985	-	13,000	23,000	1,935	1,823	(112)	1.75	0.22
Chemicals											
Engro Chemical Pakistan Limited	16,380	-	-	-	16,380	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	235,000	121,000	2,813	-	79,000	277,000	5,498	7,213	1,715	6.94	0.08
Fauji Fertilizer Company Limited	64,475	30,500	3,214	-	-	94,975	8,820	9,790	970	9.42	0.14
ICI Pakistan Limited	31,200	13,201	1,919	-	4,300	40,101	5,691	4,754	(937)	4.58	0.34
Construction and materials											
Attock Cement Pakistan Limited	21,800	15,000	990	4,360	-	41,160	2,521	2,696	175	2.60	0.31
DG Khan Cement Company Limited	4,100	-	-	-	4,100	-	-	-	-	-	-
Lucky Cement Limited	55,800	96,900	6,714	-	11,000	141,700	9,336	8,805	(531)	8.48	0.27
Electricity											
The Hub Power Company Limited	196,500	22,000	676	-	218,500	-	-	-	-	-	-
Fixed line telecommunication											
Pakistan Telecommunication Company Limited "A"	179,500	50,000	1,001	-	-	229,500	4,096	4,086	(10)	3.93	0.01
Food producers											
Unilever Pakistan Limited	-	676	1,738	-	-	676	1,738	2,626	888	2.53	0.40
Gas, water and multiutilities											
Sui Northern Gas Pipeline Limited	31,800	-	-	-	31,800	-	-	-	-	-	-
General industries											
Packages Limited	23,400	5,000	790	-	-	28,400	4,464	3,365	(1,099)	3.24	0.40
Thal Limited (note 7.1.1)	-	11,000	959	-	5,000	6,000	523	570	47	0.55	0.22
Tri-Pack Films Limited	7,000	20,000	2,224	-	-	27,000	2,923	2,633	(290)	2.53	0.88
Oil and gas											
National Refinery Limited	-	34,600	6,513	-	-	34,600	6,513	6,327	(186)	6.09	0.79
Oil and Gas Development Company Limited	72,200	10,000	1,178	-	61,000	21,200	1,794	3,004	1,210	2.89	0.01
Pakistan Oilfields Limited	31,400	22,500	4,819	-	12,000	41,900	7,568	9,046	1,478	8.71	0.38
Pakistan Petroleum Limited	21,780	39,650	7,527	4,956	21,000	45,386	8,045	8,356	311	8.04	0.08
Pakistan State Oil Company Limited	26,400	21,300	5,989	-	14,900	32,800	8,149	8,535	386	8.22	0.50
Shell Pakistan Limited	-	1,330	360	-	-	1,330	360	305	(55)	0.29	0.04
Personal goods											
Nishat Mills Limited	-	51,150	2,385	-	51,150	-	-	-	-	-	-
Total			55,620				82,597	88,354	5,757		

7.1.1 All shares have a nominal value of Rs 10 each except Thal Limited having nominal value of Rs 5 each.

7.1.2 Net assets are as defined in rule 2(1)(m) of VPS Rules.

7.2 'Held for trading' - sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2009	Purchases during the year	Cost of purchase	Sales during the year	Redemptions during the year	As at June 30, 2010	Carrying value as at June 30, 2010	Provision	Market value as at June 30, 2010	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 7.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000							
DEBT SUB FUND													
GoP - Ijara sukuk - II (note 7.2.1)	September 25, 2011	12.78%	150	-	-	150	-	-	-	-	-	-	-
GoP - Ijara sukuk - IV (note 7.2.1)	September 17, 2012	12.25%	-	280	28,000	-	-	280	28,000	-	28,630	630	29.06
			150	280	28,000	150	-	280	28,000	-	28,630	630	
MONEY MARKET SUB FUND													
GoP - Ijara sukuk - II (note 7.2.1)	September 25, 2011	12.78%	175	-	-	-	-	175	17,500	-	17,500	-	23.51
			175	-	-	-	-	175	17,500	-	17,500	-	

7.2.1 The nominal value of the sukuk certificates 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, 2009	Purchases during the year	Cost of purchase	Sales during the year	Redemptions during the year	As at June 30, 2010	Carrying value as at June 30, 2010	Provision	Market value as at June 30, 2010	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 7.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000							
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	2,412	-	2,452	40	2.49
Eden Housing Limited (note 7.3.2 & 7.3.5)	April 2, 2013	6 months Kibor plus base rate of 2.5%	500	-	-	-	-	500	1,922	-	1,487	(435)	1.51
Karachi Shipyard & Engineering Works Limited (note 7.3.3)	November 2, 2015	6 months Kibor plus base rate of 0.4%	2,000	-	-	-	-	2,000	9,804	-	9,675	(129)	9.82
Maple Leaf Cement Factory Limited (note 7.3.3 & 7.3.6)	December 3, 2018	3 months Kibor plus base rate of 1.0%	1,000	-	-	-	-	1,000	4,500	(120)	3,629	(751)	3.68
Security Leasing Corporation Limited II (note 7.3.3)	March 19, 2014	3% on cash basis and 3% on accrual basis	437	-	-	-	86	351	1,586	-	1,318	(268)	1.34
Shahmurad Sugar Mills Limited (note 7.3.4)	September 30, 2012	6 months Kibor plus base rate of 2.25%	2	-	-	-	-	2	1,570	-	1,591	21	1.62
			3,989	-	-	-	86	3,903	21,794	(120)	20,152	(1,522)	
MONEY MARKET SUB FUND													
Security Leasing Corporation Limited II (note 7.3.3)	March 19, 2014	3% on cash basis and 3% on accrual basis	437	-	-	-	86	351	1,588	-	1,318	(270)	1.77
			437	-	-	-	86	351	1,588	-	1,318	(270)	



- 7.3.1 The nominal value of the sukuk certificates is Rs. 50,000 each.
- 7.3.2 The principal buy out reduces the face value per certificate instead of number of certificates. The face value of the sukuk certificates is Rs 3,969 each.
- 7.3.3 The nominal value of these sukuk certificates is Rs 5,000 each.
- 7.3.4 The nominal value of the sukuk certificates is Rs 1,000,000 each.
- 7.3.5 On March 30, 2010 i.e. the scheduled redemption date, principal repayment aggregating Rs 0.313 million was not received by the Fund from Eden Housing Limited. In accordance with the requirements of the Circular No.1, the sukuk certificates had been classified as 'non performing assets' and no further profit has been accrued thereafter. On June 17, 2010 the Fund has received 65% of the principal payment amounting to Rs 0.203 million. Subsequent to the year end, the Fund has received the remaining 35% of principal redemption amounting to Rs 0.110 million.
- 7.3.6 On December 3, 2009 i.e. the scheduled redemption date, accrued profit aggregating Rs 0.387 million was not received by the Fund. In accordance with the requirements of the Circular No.1, the sukuk certificates had been classified as 'non performing assets' and no further profit has been accrued thereafter. However, on March 30, 2010 first addendum (the first addendum) was signed between Maple Leaf Cement Factory Limited and the investment agent of the sukuk certificates whereby certain terms included in the original trust deed dated December 12, 2007 were amended, including the repayment period which was extended from December 3, 2013 to December 3, 2018. At the time of signing of the first addendum the Fund received an amount of Rs 0.2 million representing approximately 50% of the profit due upto March 3, 2010. The repayment of the balance profit is to be settled against the issue of additional sukuk. Further, in accordance with the provisioning policy of the Fund, an amount of Rs 0.120 million has been further provided against the outstanding principal as at June 30, 2010.

8. PROFIT RECEIVABLE

2010				2009
Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total

Note -----(Rupees in '000)-----

Profit receivable on					
- savings accounts with banks	187	1,306	1,721	3,214	1,157
- placements	-	175	250	425	983
- sukuk certificates	-	1,724	621	2,345	2,247
	<u>187</u>	<u>3,205</u>	<u>2,592</u>	<u>5,984</u>	<u>4,387</u>

9. FORMATION COSTS

Formation costs	9.1	80	80	80	240	489
Less: Amortisation during the year		<u>80</u>	<u>80</u>	<u>80</u>	<u>240</u>	<u>249</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240</u>

- 9.1 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.

**10. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (AL MEEZAN)
- pension fund manager**

	2010				2009	
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total	
	Note -----(Rupees in '000)-----					
Management remuneration	10.1	121	113	88	322	229
Front-end fee payable		257	257	257	771	434
Formation cost payable		79	79	79	237	237
		<u>457</u>	<u>449</u>	<u>424</u>	<u>1,330</u>	<u>900</u>

- 10.1 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.

11. PAYABLE TO CDC - 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.

12. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

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.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2010				2009	
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total	
	Note -----(Rupees in '000)-----					
Withholding tax payable		-	-	-	-	2
Charity payable	13.1	93	-	-	93	109
Workers' Welfare Fund	13.2	395	228	136	759	-
		<u>488</u>	<u>228</u>	<u>136</u>	<u>852</u>	<u>111</u>

- 13.1 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 0.093 million (2009: Rs 0.109 million) is outstanding in this regard after making charity payment of Rs 0.130 (2008: nil) to renowned charitable institution. None of the directors of the pension fund manager were interested in any of the donees.



- 13.2 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all pension funds whose income exceeds Rs 0.5 million in a tax year have been brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. Accordingly, the management company has recognised WWF charge in the books of the Fund.

14. AUDITORS' REMUNERATION

	2010				2009
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
------(Rupees in '000)-----					
Audit fee	50	50	50	150	120
Half yearly review	33	33	34	100	51
Other certifications and services	16	17	17	50	50
Out of pocket expenses	9	9	9	27	4
	<u>108</u>	<u>109</u>	<u>110</u>	<u>327</u>	<u>225</u>

15. EARNINGS / (LOSS) PER UNIT OUTSTANDING - BASIC

	2010		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
Net income for the year (Rupees in '000)	<u>19,739</u>	<u>11,424</u>	<u>6,807</u>
Units outstanding as at June 30, 2010 (number of units)	<u>1,028,569</u>	<u>758,549</u>	<u>576,499</u>
Earnings per unit outstanding - basic (Rupees)	<u>19.19</u>	<u>15.06</u>	<u>11.81</u>

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

- 15.1 There were no convertible dilutive potential units outstanding on June 30, 2010 and 2009.

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the pension fund manager, CDC being the trustee, MBL being the shariah adviser of the Fund and holding company of the pension fund manager, directors and officers of the pension fund manager, Meezan Islamic Fund, Meezan Islamic Income Fund, Al Meezan Mutual Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - I, Meezan Cash Fund and Meezan Sovereign Fund being the funds under the common management of the pension fund manager.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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.

Details of transactions with connected persons and balances with them as of June 30, 2010 and for the year then ended are as follows:

2010				2009
Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total

------(Rupees in '000)-----

Investment by:

Al Meezan - pension fund manager

(Equity sub fund: 500,000 units;

Debt sub fund: 500,000 units;

Money market sub fund: 500,000 units)

50,500	64,930	64,570	180,000	157,545
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Directors and executives of the Pension Fund Manager

As at June 30, 2010

(Equity sub fund: 56,129 units;

Debt sub fund: 15,320 units;

Money market sub fund: 3,504 units)

As at June 30, 2009

(Equity sub fund: 47,164 units;

Debt sub fund: 9,883 units;

Money market sub fund: 2,307 units)

5,669	1,989	453	8,111	5,070
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Units issued during the year

(Equity sub fund: 11,223 units;

Debt sub fund: 3,529 units;

Money market sub fund: 1,198 units)

1,252	462	150	1,864	2,249
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Units reallocated during the year

(Equity sub fund: (2,258) units;

Debt sub fund: 1,908 units;

Money market sub fund: (1) unit)

(238)	238	-	-	230
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	2010				2009
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
------(Rupees in '000)-----					
Al Meezan - pension fund manager					
Remuneration payable at the beginning of the year	413	307	180	900	362
Formation cost payable at the beginning of the year	79	79	79	237	237
Remuneration for the year	1,286	1,160	979	3,425	2,560
Front-end fee for the year	257	257	257	771	293
	<u>2,035</u>	<u>1,803</u>	<u>1,495</u>	<u>5,333</u>	<u>3,452</u>
Amount paid during the year	(1,578)	(1,354)	(1,071)	(4,003)	(2,552)
Balance at the end of the year	<u>457</u>	<u>449</u>	<u>424</u>	<u>1,330</u>	<u>900</u>
MBL					
Bank balance	<u>83</u>	<u>2</u>	<u>9</u>	<u>94</u>	<u>8,723</u>
Profit on savings accounts and placements	<u>49</u>	<u>27</u>	<u>22</u>	<u>98</u>	<u>438</u>
CDC - trustee of the fund					
Balance at the beginning of the year	22	28	25	75	25
Remuneration for the year	128	116	98	342	299
CDS charges for the year	7	6	5	18	19
	<u>157</u>	<u>150</u>	<u>128</u>	<u>435</u>	<u>343</u>
Amount paid during the year	(145)	(139)	(119)	(403)	(268)
Balance at the end of the year	<u>12</u>	<u>11</u>	<u>9</u>	<u>32</u>	<u>75</u>

17. FINANCIAL INSTRUMENTS BY CATEGORY

	2010			Total
	Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial liabilities measured at amortised cost	
------(Rupees in '000)-----				
On balance sheet - financial assets				
Balances with banks	97,628	-	-	97,628
Placements	20,000	-	-	20,000
Investments	-	155,954	-	155,954
Dividend receivable	775	-	-	775
Profit receivable	5,984	-	-	5,984
Deposit with CDC	300	-	-	300
	<u>124,687</u>	<u>155,954</u>	<u>-</u>	<u>280,641</u>
On balance sheet - financial liabilities				
Payable against purchase of investments	-	-	1,303	1,303
Payable to Al Meezan - pension fund manager	-	-	1,330	1,330
Payable to CDC - trustee of the fund	-	-	32	32
Payable to auditors	-	-	200	200
	<u>-</u>	<u>-</u>	<u>2,865</u>	<u>2,865</u>



	2009			Total
	Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial liabilities measured at amortised cost	
------(Rupees in '000)-----				
On balance sheet - financial assets				
Balances with banks	47,916	-	-	47,916
Placements	27,900	-	-	27,900
Receivable against sale of investment	228	-	-	228
Investments	-	114,355	-	114,355
Dividend receivable	363	-	-	363
Profit receivable	4,387	-	-	4,387
Deposit with CDC	300	-	-	300
	<u>81,094</u>	<u>114,355</u>	<u>-</u>	<u>195,449</u>
On balance sheet - financial liabilities				
Payable against purchase of investments	-	-	923	923
Payable to Al Meezan - pension fund manager	-	-	900	900
Payable to CDC - trustee of the fund	-	-	75	75
Payable to auditors	-	-	150	150
	<u>-</u>	<u>-</u>	<u>2,048</u>	<u>2,048</u>

18. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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 pension 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 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 and directives issued by the 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 note 7 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 Karachi Meezan Index - 30 (KMI). 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 0.088 million (2009: Rs 0.060 million) if the prices of equity vary due to increase / decrease in the KMI. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with the KMI and that the KMI increases / decreases by 10 basis points with all other factors held constant.

The pension fund manager uses the KMI as a reference point in making investment decisions. However, the pension fund manager does not manage the Fund's investment strategy to track the KMI 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 the KMI. The composition of the Fund's investment portfolio and the correlation thereof to the KMI, 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 the KMI.

18.1.2 Interest rate risk

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

Cash flow interest rate risk

The Fund's interest rate risk arises from the balance in saving accounts and investments in debt securities. The net assets of the Fund will increase / decrease by approximately Rs 0.832 million (2009: approximately Rs 0.786 million) if the market interest rates increase / decrease by five percent.

Fair value interest rate risk

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

18.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted.

Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities, dividends receivable on equity securities and receivable against sale of investments.

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least 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 as follows:

	June 30, 2010		June 30, 2009	
	Debt Sub Fund	Money Market Sub Fund	Debt Sub Fund	Money Market Sub Fund
Government guaranteed	78.53	93.00	-	-
AA	-	-	14.96	-
A+	-	-	29.46	-
A	-	-	14.65	-
A-	3.26	-	-	-
BBB+	-	-	14.57	100.00
BBB	-	-	11.71	-
CCC	2.70	7.00	-	-
Non-rated	15.51	-	14.65	-
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. 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 committee monitors the credit position on a daily basis which is reviewed by the board of directors on a quarterly basis.

The percentage of bank balances along with credit ratings are tabulated below:

	2010	2009
	------(%)-----	
AA+	59.69	54.51
AA	22.73	0.66
AA-	0.08	-
A+	-	5.05
A	17.45	39.66
A-	0.01	0.12
BBB+	0.04	-
	<u>100.00</u>	<u>100.00</u>

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, 2010 and 2009 is tabulated below:

Financial assets	2010	2009
	(Rupees in '000)	
Balances with banks	97,628	47,916
Placements	20,000	27,900
Receivable against sale of investments	-	228
Investments at 'fair value through profit or loss'	67,600	57,455
Dividend receivable	775	363
Profit receivable	5,984	4,387
Deposit with CDC	300	300
	<u>192,287</u>	<u>138,549</u>

The fund does not have any collateral against any of the aforementioned assets. The issuer of the sukuk, 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 41.527 million as on June 30, 2010 (2009: Rs 29.021 million).

In accordance with the risk management policy of the Fund, the investment committee 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, 2010 and 2009 is tabulated below:

	2010					2009
	Maturity upto					
	Three months	Six months	One year	More than one year	Total	Total
------(Rupees in '000)-----						
Payable against purchase of investments	1,303	-	-	-	1,303	923
Payable to Al Meezan - pension fund manager	1,330	-	-	-	1,330	900
Payable to CDC - trustee of the fund	32	-	-	-	32	75
Payable to auditors	200	-	-	-	200	150
2010	<u>2,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,865</u>	<u>2,048</u>
2009	<u>2,048</u>	<u>-</u>	<u>-</u>	<u>-</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.

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 withdrawal requests, such liquidity being augmented by disposal of investments where necessary.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares) are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. sukuk) that are not traded in an active market is determined with reference to the values quoted by MUFAP.

If a security is not quoted by MUFAP due to it being 'non-investment' grade, its values is determined by using discounted cash flows.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

The Fund has adopted the amendment to IFRS 7, effective July 1, 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).



- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

An analysis of the Fund's financial assets into relevant level grouping as at June 30, 2010 is tabulated below:

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Assets				
Financial assets 'held for trading'				
- Equity securities	88,354	-	-	88,354
- Debt securities	28,630	17,500	-	46,130
Financial assets designated at 'fair value through profit or loss at initial recognition'				
- Debt securities	-	13,718	7,752	21,470

The following table presents the transfers between levels for the year ended June 30, 2010.

	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Transfers between level 2 and level 3			
- Debt securities	-	(9,993)	9,993

The following table presents the movement in level 3 instruments (debt securities) for the year ended June 30, 2010 by class of financial instruments:

	Rupees in '000
Opening balance	-
Transfers into level 3	9,993
Purchases	-
Sales / redemptions	(397)
Provisions	(120)
Gains and losses recognised in profit and loss	(1,724)
Closing balance	<u>7,752</u>

21. PERFORMANCE TABLE

	For the year ended June 30, 2010	For the year ended June 30, 2009	Percentage change	For the period June 16, 2007 to June 30, 2008
	Rupees in '000		(%)	Rupees in '000
EQUITY SUB FUND				
Net income	19,739	(20,841)	(195)	2,134
Net realised (loss) / gain on sale of investments	8,407	(2,670)	(415)	2,771
Unrealised loss on re-measurement of investments at 'fair value through profit or loss'	5,757	(16,411)	(135)	(3,871)
Dividend income	6,283	3,474	81	2,326
Profit on savings accounts with banks	841	298	182	1,130
Transactions in securities				
Purchases	55,620	21,961	153	87,874
Sales	38,240	8,719	339	23,834
Total contribution received	26,816	12,537	114	64,738
Total net asset value	103,889	61,602	69	65,983
DEBT SUB FUND				
Net income	11,424	6,492	76	4,737
Net realised (loss) / gain on sale of investments	687	90	663	886
Unrealised loss on re-measurement of investments at 'fair value through profit or loss'	(892)	(1,215)	(27)	(75)
Gain on re-measurement of financial instruments instruments sold on deferred settlement basis	-	-	-	85
Profit on savings accounts with banks	1,982	2,378	(17)	2,285
Profit on placements	363	948	(62)	1,047
Profit on sukuk certificates	6,658	5,024	33	1,534
Transactions in securities				
Purchases	28,000	15,000	87	114,606
Sales	15,600	7,236	116	93,436
Total contribution received	22,142	6,036	267	55,597
Total net asset value	98,508	70,172	40	60,095
MONEY MARKET SUB FUND				
Net income	6,807	5,956	14	4,037
Net realised (loss) / gain on sale of investments	51	167	(69)	665
Unrealised loss on re-measurement of investments at 'fair value through profit or loss'	(270)	(209)	29	(215)
Gain on re-measurement of financial instruments instruments sold on deferred settlement basis	-	-	-	166
Profit on savings accounts with banks	3,572	3,177	12	2,591
Profit on placements	753	1,843	(59)	1,747
Profit on sukuk certificates	2,483	2,050	21	236
Transactions in securities				
Purchases	-	17,500	(100)	81,343
Sales	-	7,186	(100)	71,990
Total contribution received	7,735	1,523	408	50,894
Total net asset value	74,450	61,700	21	54,880



Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
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----- Rupees in '000 -----

NAV per unit	101.00	129.86	129.14
Earnings per unit	19.19	15.06	11.81
Highest issue price per unit	113.96	130.15	129.35
Lowest issue price per unit	78.00	119.62	119.97

22. DATE OF AUTHORISATION

These financial statements were authorised on September 28, 2010 by the board of directors of the pension fund manager.

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

**Mohammad Shoaib, CFA
Chief Executive**

**Mazhar Sharif
Director**