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The top portion of the page features a dark purple background with a bokeh effect of out-of-focus light spots in various shades of purple and pink. The word "Vision" is written in a large, bold, light purple font across the middle of this section.

Vision

"To promote professional fund management through development and implementation of Shariah compliant investment products, policies and practices designed to meet the investment objectives of the investors".

The top half of the page features a dark purple background with a bokeh effect of out-of-focus light spots in various shades of purple and pink. The word "Mission" is written in a large, bold, light purple sans-serif font across the middle of this section.

Mission

"To be the leading Shariah compliant asset management company providing quality service to institutional and individual investors utilizing modern techniques of portfolio management, proactive asset allocation and prudent security selection while maintaining high standards of ethical and professional conduct".



Corporate 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

FUND INFORMATION

Board of Directors of The Pension Fund Manager

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & Company Secretary of The Pension Fund Manager

Syed Owais Wasti

Audit Committee

Mr. P. Ahmed	Chairman
Mr. Mazhar Sharif	Member
Syed Amir Ali	Member

Human Resources & Remuneration Committee

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	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

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

Shariah Adviser

Meezan Bank Limited

Bankers To The Fund

Al Baraka Islamic Bank B.S.C (E.C)
Bank Alfalah Limited, Islamic Banking
Bank Al Habib Limited - Islamic Banking Branch
Dubai Islamic Bank
Habib Metropolitan Bank - Islamic Banking Branch
Habib Bank Limited - Islamic Banking
Meezan Bank Limited
MCB Bank Limited
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) 3565 7658-59
Fax: (9221) 3565 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, 2013.

Economic Review

Amid rising macroeconomic challenges, the outgoing FY'13 continued to be marred with energy crisis, structural weaknesses and heightened security concerns. Given these challenges, GDP growth fell to 3.6% during the year in comparison to 4.4% last year and the budgetary target of 4.3%. This however, compares favorably with the last five years average growth rate of 2.9% and was supported by 3.3% growth in agriculture, 2.8% growth in large scale manufacturing and 3.7% growth in the services sector. On the external front, in spite of Coalition Support Fund (CSF) inflows, strong remittances and lower trade deficit, forex reserves remained under pressure due to IMF loan repayments. The headline CPI inflation dipped to a multi-year low of 7.4% in FY'13 mainly because of sluggish private sector demand, decline in consumer gas tariff and softer food inflation. This low inflation number formed the basis for SBP to reduce the discount rate by a cumulative 300bps to 9% during the year.

The magnitude of current account deficit stayed manageable with the year end figure clocking in at US\$ 2.3 billion as against a deficit of US\$ 4.66 billion in FY'12; the primary driver of this improvement were the CSF flows amounting to US\$ 1.8 billion. Subdued oil prices and softer food inflation also helped the current account especially when the country's trade deficit declined to US\$ 15.1 billion in FY'13 as against US\$ 15.8 billion last year. Workers remittance however, grew by 5.6% to US\$ 13.9 billion in FY'13. Pressure on external account came from financial account (FA) which posted a deficit of US\$ 80 million in FY'13 as against a surplus of US\$ 1,280 million in the same period last year. This was mainly due to higher debt repayments and subdued loan flows. The repayments to IMF (US\$ 3.0 billion paid in FY'13) also contributed to reduction in Pakistan's forex reserves, which declined by \$4.3 billion to \$11 billion as on June 30, 2013. These payments also exerted immense pressure on the currency as Pak Rupee depreciated by 5.4% to close the year at Rs. 99.66/\$.

On the fiscal front, election year considerations kept the fiscal pressure intact. The pace of fiscal reforms during last year of the outgoing government was slow with low tax mobilization and higher subsidy outlays (particularly power subsidy of around Rs. 349.287 billion) remained the major concerns. FBR tax collection remained lack luster as it provisionally increased by merely 1.8% to Rs. 1.940 trillion in FY'13, showing a shortfall of Rs. 110 billion from their revised target. Further to this, circular debt payments of 480 billion led to increase in fiscal deficit. As a result, fiscal deficit in FY'13 is provisionally close to 9% of GDP vs. 6.8% in FY'12. A turnaround of loss-making public sector enterprises as well as increasing the tax-to-GDP ratio will be a must to address challenges for the newly elected government.

Going forward, Pakistan has applied for new IMF program amounting to US\$ 6.6bn to control external account pressures. Higher taxes and likely increase in power tariffs may push CPI inflation up in FY'14 from 7.4% in FY'13. This will probably exceed the year's target of 8% which could trigger an increase in discount rate. IMF loan, which is likely by September 2013, along with increased multilateral and bilateral support have greatly de-risked external account.



Equity Review

Fiscal year ended June, 2013 (FY'13) turned out to be one of the best years for Pakistan's equity market as the KSE-100 index gained 52% or 7,204pts (46% in dollar terms) to close at the level of 21,006 points while the KMI 30 index gained 55.75% or 13,142 points (48.42% in dollar terms) to close at a level of 36,714 points. Post the relaxation of rules of Capital Gains Tax (CGT), the rally gained additional impetus on the back of improved ties with the US and resultant CSF flows which also coincided with a series of discount rate cuts. Towards the end of the year, a smooth political transition, albeit after a delay in installation of the caretaker setup provided added muscle to the continued bull run, resulting in re-rating of the market trailing P/E from 6.5x to ~7.9x over 12-months. The improvement in macro economic outlook in line with improved corporate performance, Pak US relationship and a smooth political transition also reflected in improved foreign investor confidence as foreign portfolio investment clocked in at US\$553 million for the year.

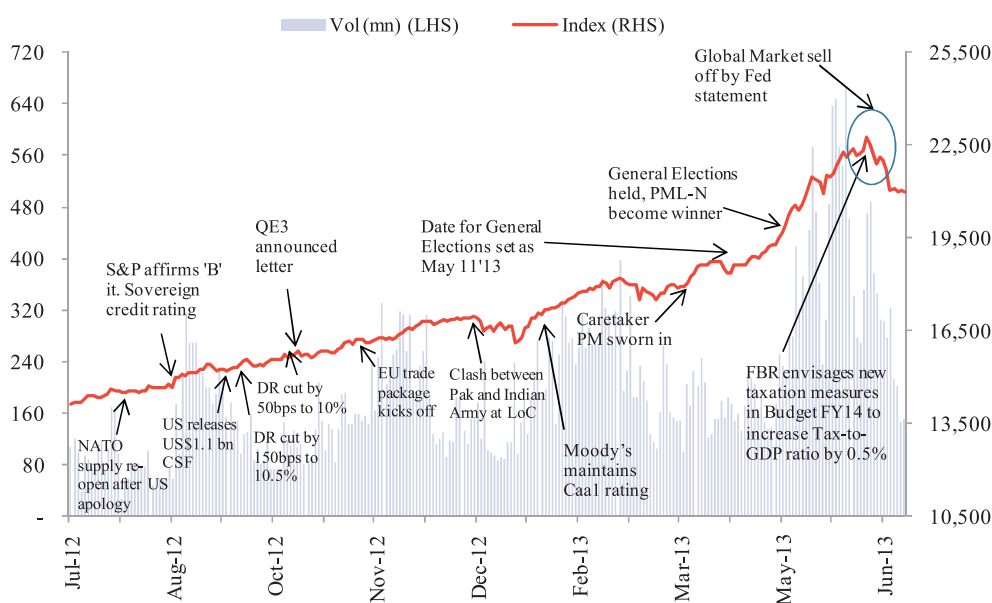
FY'13 started off for KSE on a strong note, buoyed by an unexpected 150 bps reduction in the SBP benchmark discount rate from 12% to 10.5% in Aug 2012; subsequent reductions in the key rate during FY'13 translated into a cumulative cut of 300bps during the year. The monetary easing followed on the heels of decelerating inflation, which averaged 7.4% in FY'13, as compared to 11% last year. Other policy matters that played a role in driving the market were 1) International Clearing House (ICH) formation and revocation (higher termination rates for long distance international (LDI) operators 2) gas supply to fertilizer sector and fertilizer import policy; 3) Oil & Gas sector policy finalization, though the impact of the same will be seen with a lag; 4) auto sector (used car imports) 5) announcement of Unilever buyback from KSE of a total amount of approximately US\$ 500 million and likely diversion of these funds to local equity market by existing minority shareholders of Unilever and 5) active foreign participation which lifted investor sentiment and boosted the market.

Towards the end of FY'13, the stock market got another boost from election results in May, 2013 which resulted in a simple majority to the PML-N, and the same was viewed as a precursor to a very positive economic change by the business community, since PML-N has been known for its pro-business policies. An important advantage of PML-N's strong mandate is that it will allow them to undertake unpopular but much needed reforms (such as raising power tariffs, taxes), without getting bogged down by coalition politics/opposition. The incoming government presented its first budget soon after taking charge whereby some unpopular measures were implemented, such as a 1% rise in GST, a 0.5% wealth tax on net movable assets, and a more progressive income tax structure. However from KSE's vantage point, corporate tax rate was reduced by 1% to 34% for tax year 2014, with a scheduled step-wise annual decline of 1% to 30% by FY'18.

After announcement of the budget, the market took a correction after peaking up to the level of 22,881 points; the index ultimately closed at the level of 21,006 points translating into an overall appreciation of 52% during FY'13.

Sector Performance

In terms of sector performance, the index was propelled by strong gains across Telecom, Cements, Textiles, Food Producers and heavyweight Oil and Gas companies. Stable cotton prices, increased yarn demand from China and lower interest rates were the key positives also providing tailwinds to the market. Among the laggards, chemical sector severely underperformed the market mainly due to issues faced by the fertilizer sector. Initially it appeared to be a dismal period for the banking sector as well since it was overwhelmed by significant monetary easing and resultant decline in net interest margins, while the decision to maintain the minimum average deposit rate compounded the issue. However, towards the later part of the year, with more stable macros and politics, the banking sector showed signs of improvement, Market expectations started changing on the currently prevalent interest rate scenario as well, which bodes well for higher spreads in the future. High yield and leveraged stocks performed well in response to this 300 bps cut in discount rate to 9.0%.



Volumes, Liquidity and Foreign activity

The volumes at KSE also improved significantly, taking average daily shares volume to 199 million shares (US\$ 59 million in value terms) in FY'13, with the KSE 100 up 52% (45% in US\$ term) compared to corresponding period last year. During the last quarter of the year, average daily volume on the KSE surged to 289mn shares

The impressive performance resulted in a revival of foreign interest where the KSE saw net inflows of US\$ 553 million (US\$358mn excluding ULEVER buyback) in FY'13 vs. a US\$ 166 million outflow in FY'12. During the year, companies and mutual funds remained net sellers to the tune of US\$ 178.76 million and US\$ 150.41 million respectively, while banks/ DFI's were net sellers to the tune of US\$ 12.99 million. Individuals were also net sellers by US\$ 33.06 million.



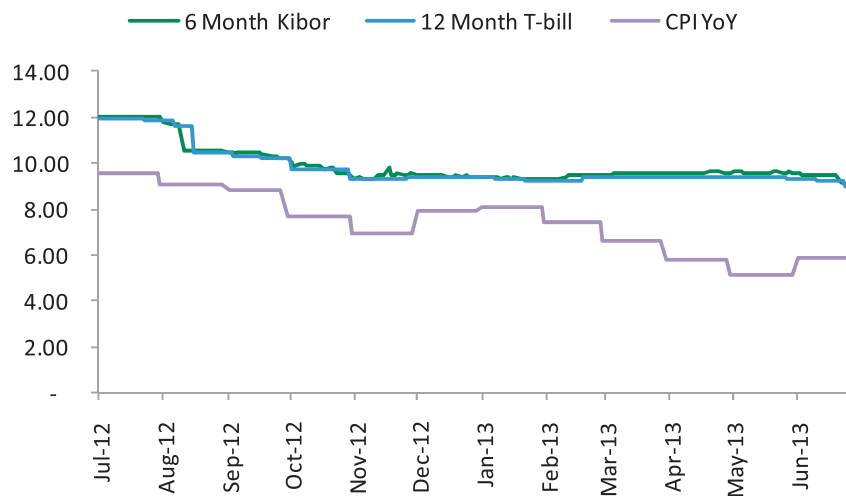
Money Market Review

Fiscal year 2013 turned out to be a rutted period for the money market in light of SBP's continued monetary easing and the resultant mayhem in market expectations/actions. With the CPI ultimately clocking in at 7.4% for FY'13, the falling inflation numbers provided enough cushion for the SBP to slash the key rate by 300 bps bringing it down to 9.0% during the year. Every bimonthly monetary policy announced during this fiscal year followed a round of immense speculation regarding the probability of a discount rate cut which ultimately kept the T-bill and PIB yields quite volatile for most part of this year.

The illiquidity prevalent in the market required SBP to inject regular liquidity in the system via 57 OMOs amounting to Rs. 23.3 trillion. During this period, twenty six T-bill auctions and twelve PIB auctions were also conducted; cumulatively, the government accepted Rs. 5.4 trillion against a participation of Rs. 7.7 trillion in T-bills and Rs. 251 billion against a participation of Rs. 563 billion in PIBs. Most importantly for the Islamic financial institutions and NBFCs, two new GoP Ijarah auctions were also conducted during this period (Ijarah XIII - cut off at a discount of 25 bps and Ijarah XIV - cut off at a discount of 30 bps to six months T-Bill yield) whereby in total, Rs.104 billion was accepted by the government against a participation of Rs. 214 billion with Rs. 14.4bn maturing during the period. Al Meezan also participated in these auctions on behalf of its funds.. The vast gap in participation and acceptance levels in these auctions however, reflects clearly on the lack of sufficient investment avenues available for the Shariah compliant end of the market.

The forex front continued on a dismal trend for the rupee during FY'13, mainly on account of external debt repayments, a major chunk of which comprised IMF repayments amounting to \$3.0 billion; the SBP's reserves declined to \$6 billion as of June 2013 from \$10.8 billion in June 2012, despite inflows through foreign remittances and realization of \$1.8 billion worth of CSF tranches. Despite SBP's interventions, rupee hit its all time lows both in the interbank as well as open market; depreciating by 5.4%, it closed at Rs. 99.80/\$ in the interbank market while in the open market, it closed at Rs. 100.75/\$ which translates into a depreciation of 5.17%. Subsequent to year end, the rupee has eroded further in interbank market to 101.85/\$ as on 31st July 2013.

Graphically, the overall interest rate, T-bill yield and inflation rate behaviors can be observed as under:



Industry Review

During the fiscal year 2013, Assets under Management (AUM) of the mutual fund industry witnessed a decline of 5.3% to Rs. 361 billion. Islamic funds on the other hand grew by 30.3% during the year to Rs 68 billion, thus bringing the contribution of Islamic funds to 18.9% in the total mutual fund industry.

In terms of net assets, the size of Voluntary Pension funds reached Rs 4.7 billion as at June 2013 end, up 74.7% from June 2012. Islamic Pension Funds also witnessed a growth of 80.4% in the year to clock in at Rs 2.9 billion as on June 30, 2013, having market share of 62% in Voluntary Pension Schemes.

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.

Performance Review

MTPF comprises of three sub funds namely Equity sub fund, Debt sub fund and Money Market sub fund. For the period under review, the equity sub-fund provided a return of 54.93%, while the debt and money market sub-funds provided annualized returns of 8.26% and 7.77% respectively. Detailed performance review for each sub fund is given as under:

Equity Sub Fund

For the year ended June 30, 2012 the equity sub fund earned a gross income of Rs. 300 million, as compared to Rs. 52 million in 2012. The main contributors to the income were realized gains on sale of equity securities of Rs. 31 million, unrealized gains of Rs. 168 million and dividend income of Rs. 28 million. After accounting for expenses of Rs. 15 million, equity sub fund recorded a net profit of Rs. 285 million as compared to Rs. 52 million in the previous year. The net assets of this sub fund stood at Rs.804 million as at June 30, 2013, showing a growth of 148% during the period under review. During the year, the net asset value (NAV) per unit increased from Rs. 160.43 to Rs. 248.56, thus showing return of 54.9%.

Debt Sub Fund

For the year under review, the debt sub fund earned gross income of Rs. 58 million, as compared to Rs. 33 million in corresponding period last year. The main contributor to this income was profit on sukuk certificates worth Rs. 38 million. After accounting for expenses of Rs. 9 million, the debt sub fund recorded a net profit of Rs. 49 million. The net assets of the fund appreciated by 93% during the year and stood at Rs.640 million as on June 30, 2013. The net asset value (NAV) of the fund closed at Rs. 170.66 per unit as on June 30, 2013, thus providing an annualized return of 8.3%.

Money Market Sub Fund

The money market sub fund recorded gross income of Rs.27 million for the fiscal year 2013 as compared to Rs. 23 million in corresponding period last year. Main contribution was from profit on bank deposits which contributed Rs. 10 million and profit on sukuk certificates worth Rs. 14 million to the overall income. The fund recorded net profit of Rs.22 million, after accounting for expenses worth Rs. 5 million. The net assets of the fund appreciated by 44% during the year and stood at Rs. 303 million as on June 30, 2013. The net asset value (NAV) of the fund closed at Rs. 171.01 per unit as year end, thus providing an annualized return of 7.8%.

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, 2013 an amount of Rs. 0.536 million was accrued as charity payable.

Auditors

The present auditors, Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and in compliance of the VPS Rules, the Board of Directors on recommendation of the audit committee has appointed Messers KPMG Taseer Hadi & Co., Chartered Accountants, as the statutory auditors of the aforementioned Funds for the year ending June 30, 2014.

Outlook

Pakistan's external account risks have started to subside as budgetary measures to raise revenue and eliminate subsidies have paved the way for a new IMF loan by September, 13. This will also help Pakistan generate FX inflows from multilaterals. Improvement in bilateral support is already visible with China treating the currency swap as a loan for budgetary financing. With the IMF loan providing support to the external account, GoP's focus on fiscal consolidation, broadening of tax net, and a commitment towards revival of growth is expected to lead the way for economy's return to the growth path. Budget made major headways in restoring private sector confidence. Onetime payment of circular debt balance by end June as promised by the government in the budget covered further ground in restoring private sector confidence. However, increase in taxation in the budget, and likely increase in electricity tariffs to reduce subsidies could drive up inflation, which remains the key risk faced by the economy.

With higher taxes and likely increase in power tariffs setting the base for rising inflation, key signpost to watch would be CPI inflation figures for the next few months which would determine the future path of interest rates. IMF loan, which is likely by September, 13, along with increased multilateral and bilateral support have greatly de-risked external account.

Despite the fact that the KSE-100 index rallied more than 50% in FY'13 and has already risen 11% by July 31, 2013 (1MFY'14)r, KSE-100 is trading at FY'14 PER of 8.1x, with FY'14 earnings growth of 11% and a dividend yield of 6.7%. We believe that the new government will focus more on infusing economic growth, improving transparency and administrative efficiencies. Resultantly the stock market is also expected to perform well on the back of positive economic outlook, stable government focusing on good governance and attractive valuations of fundamentally strong scrips.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it one of the largest pension fund manager in Pakistan. We also thank the Securities and Exchange Commission of Pakistan and Central Depository Company of Pakistan (trustee of MTPF). We would also like to thank the members of the Shariah Supervisory Board of Meezan Bank for their continued assistance and support on Shariah aspects of fund management.

For and on behalf of the Board

**Date: August 23, 2013
Karachi.**

**Mohammad Shoaib, CFA
Chief Executive**





**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE PARTICIPANTS

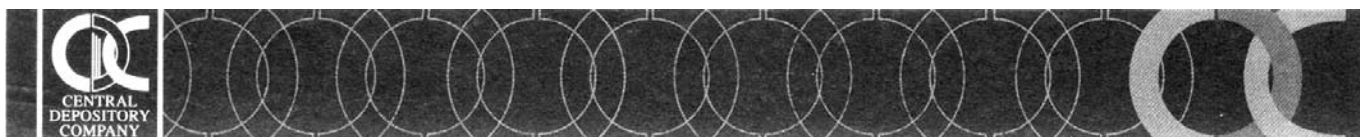
MEEZAN TAHAFFUZ PENSION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Tahaffuz Pension Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 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 23, 2013





Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor – Meezan Tahaffuz Pension Fund

August 20, 2013/ Shawwal 12, 1434

In the capacity of *Shari'ah* Advisor, we have prescribed six criteria for *Shari'ah* compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non- *Shari'ah* compliant activities to Total assets (iv) *Shari'ah* Non-Compliant Income to Gross Revenue (v) Illiquid assets to total assets, 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 *Shari'ah* compliance in line with the *Shari'ah* 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 *Shari'ah* requirements. Following is the list of investments of MTPF as on June 30, 2013 and their evaluation according to the screening criteria established by us. (December 31, 2012 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non- <i>Shari'ah</i> Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
DG Khan Cement	Cement Manufacturer	23.93%	28.79%	4.16%	67%	(12.40)	54.58
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	25.41%	19.08%	1.21%	60%	(21.62)	117.14
Engro Foods	Food Producers	32.25%	12.21%	0.21%	71.66%	(7.68)	98.14
Hub Power Company Limited	Power generation & Distribution	33.17%	0.00%	0.00%	36.66%	(30.89)	45.24

Meezan Bank Ltd.

Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.
Tel : (92-21) 38103500, Fax : (92-21) 36406049 www.meezanbank.com





Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non-Shari'ah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Lucky Cement	Cement Manufacturer	6.51%	0.00%	0.00%	93%	(26.30)	151.54
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	32.55%	3.84%	35.89%	37.05	192.61
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.12%	3.74%	72.44%	(45.41)	437.54
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.12%	32%	4.88%	34.85%	45.09	176.79
Pakistan State Oil Company Limited	Distribution of Oil & Gas	15.92%	0.00%	0.41%	39.86%	(294.79)	232.21
Pakistan Telecommunication Ltd	Fixed Line Telecommunication	13.65	12.30	2.49	65.84	(7.69)	17.35

* All interest based debts.

** These ratios are for the calculation of non-Shari'ah compliant Element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

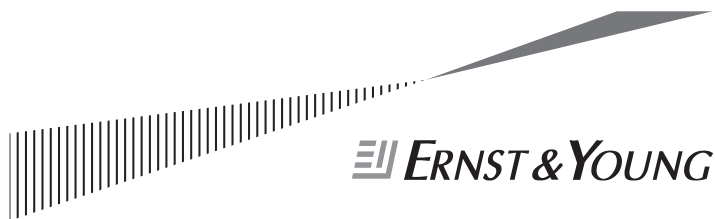
- ii. On the basis of information provided by the management, all operations of MTPF for the year ended June 30, 2013 have been in compliance with the *Shari'ah* principles.

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 *Shari'ah* compliant and in accordance with the criteria established by us.

During the year a provision of Rupees 0.536 million was created and an amount of Rupees 0.536 million was available for disbursement.

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.

Dr. Muhammad Imran Ashraf Usmani
For and on behalf of Meezan Bank Limited
Shariah Advisor



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

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
eyfrsh.khi@pk.ey.com
ey.com/pk

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** (the Fund) as at **30 June 2013** and for the year ended **30 June 2013** together with the notes forming part thereof for the year then ended.

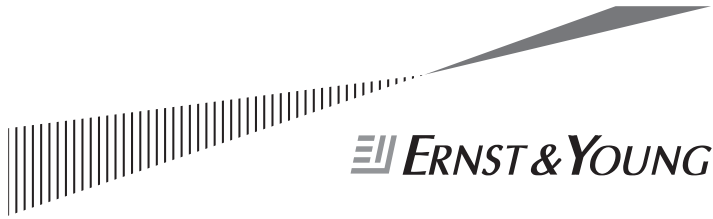
It is the responsibility of the Pension Fund Manager to establish and maintain a system of internal control and prepare and present the financial statements of the Pension Fund in conformity with the International Accounting Standards notified under sub-section (3) of section 234 of the Companies Ordinance, 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 and disposition of the Pension Fund as at 30 June 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the 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 have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 13 to the financial statements which explains the contingency with respect to the contribution to Workers' Welfare Fund amounting to Rs.6.32 million for which no provision has been made in these financial statements. In this regard, the Pension Fund Manager expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably.

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

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 23 August 2013

Karachi


BALANCE SHEET

AS AT JUNE 30, 2013

	Note	2013			2012	
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
(Rupees in '000)						
Assets						
Balances with banks	5	89,549	86,407	29,018	204,974	118,341
Investments	6	733,905	543,165	267,672	1,544,742	745,347
Dividend receivable		465	-	-	465	495
Profit receivable	7	1,856	12,512	6,829	21,197	12,290
Deposit with Central Depository Company of Pakistan Limited (CDC)		100	100	100	300	300
Total assets		825,875	642,184	303,619	1,771,678	876,773
Liabilities						
Payable against purchase of investments		14,972	9	4	14,985	5,134
Payable to Al Meezan Investment Management Limited - (Al Meezan) pension fund manager	8	1,182	915	448	2,545	1,425
Payable to CDC - trustee of the Fund	10	93	62	31	186	88
Payable to auditors		62	62	61	185	185
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	162	148	84	394	175
Provision for Workers' Welfare Fund		4,174	580	224	4,978	-
Accrued expenses and other liabilities	12	790	148	131	1,069	2,216
Total liabilities		21,435	1,924	983	24,342	9,223
Net assets		804,440	640,260	302,636	1,747,336	867,550
Contingencies	13	-	-	-	-	-
Participants' sub-funds (as per statement attached)		804,440	640,260	302,636	1,747,336	867,550
Number of units in issue (as per statement attached)		3,236,357	3,751,595	1,769,708		
Net assets value per unit (Rupees)		248.56	170.66	171.01		

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	2013				2012
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	Note -----(Rupees in '000)-----				
Income					
Profit on Sukuk Certificates	-	38,267	14,031	52,298	27,823
Profit on savings accounts with banks	2,825	5,098	10,125	18,048	9,350
Unrealised gain / (loss) on re-measurement of investments at 'fair value through profit or loss' (net)	6 167,834	(273)	(337)	167,224	16,944
Net realised gain on sale of investments	31,167	516	32	31,715	14,773
Dividend income-net of charity	28,192	-	-	28,192	13,670
Other income	-	-	-	-	51
Total income	230,018	43,608	23,851	297,477	82,611
Expenses					
Remuneration of Al Meezan pension fund manager	8.1 7,267	6,651	3,771	17,689	7,908
Sales tax and federal excise duty on management fee	9 1,251	1,154	640	3,045	1,265
Remuneration of CDC - trustee of the Fund	10 687	628	359	1,674	791
Annual fee to Securities and Exchange Commission of Pakistan	11 162	148	83	393	188
Auditors' remuneration	14 102	102	101	305	309
Provision for Workers' Welfare Fund	4,174	580	224	4,978	-
Securities' transaction cost	999	17	12	1,028	336
Bank charges	9	24	17	50	55
Custody and settlement charges	22	6	6	34	74
Total expenses	14,673	9,310	5,213	29,196	10,926
Net income from operating activities	215,345	34,298	18,638	268,281	71,685
Element of income and capital gains included in prices of units issued less those in units redeemed - net	69,883	14,573	3,180	87,636	24,443
Net income for the year	285,228	48,871	21,818	355,917	96,128
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	285,228	48,871	21,818	355,917	96,128
Earnings per unit outstanding - basic (Rupees)	15 88.13	13.03	12.33		

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Al Meezan Investment Management Limited
(Management Company)**

Mohammad Shoaib

**Mohammad Shoaib, CFA
Chief Executive**

Syed Amir Ali Zaidi

**Syed Amir Ali Zaidi
Director**




CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	2013				2012
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	Note -----(Rupees in '000)-----				
CASH FLOW FROM OPERATING ACTIVITIES					
Net income	285,228	48,871	21,818	355,917	96,128
Adjustments for:					
Dividend income	(28,192)	-	-	(28,192)	(13,670)
Profit on Sukuk Certificates	-	(38,267)	(14,031)	(52,298)	(27,823)
Profit on savings accounts with banks	(2,825)	(5,098)	(10,125)	(18,048)	(9,350)
Unrealised (gain) / loss on re-measurement of investments at 'fair value through profit or loss'	(167,834)	273	337	(167,224)	(16,944)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(69,883)	(14,573)	(3,180)	(87,636)	(24,443)
	16,494	(8,794)	(5,181)	2,519	3,898
(Increase) / decrease in assets					
Investments at 'fair value through profit or loss'	(291,474)	(241,849)	(98,848)	(632,171)	(401,103)
	(291,474)	(241,849)	(98,848)	(632,171)	(401,103)
Increase / (decrease) in liabilities					
Payable against purchase of investments	9,844	3	4	9,851	5,134
Payable to Al Meezan - pension fund manager	545	403	172	1,120	391
Payable to CDC - trustee of the Fund	59	29	10	98	41
Payable to auditors	-	-	-	-	(50)
Payable to SECP	87	87	45	219	67
Provision for Workers' Welfare Fund	4,174	580	224	4,978	-
Accrued expenses and other liabilities	60	(695)	(512)	(1,147)	1,956
	14,769	407	(57)	15,119	7,539
Dividend received	28,222	-	-	28,222	13,934
Profit received on savings accounts with banks	1,459	4,492	7,919	13,870	9,696
Profit received on Sukuk Certificates	-	32,363	15,206	47,569	22,891
Net cash outflow from operating activities	(230,530)	(213,381)	(80,961)	(524,872)	(343,145)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipts of contribution	429,339	450,163	155,935	1,035,437	488,829
Payment on withdrawal	(164,687)	(176,468)	(82,777)	(423,932)	(109,307)
Net cash inflow from financing activities	264,652	273,695	73,158	611,505	379,522
Net cash inflow / (outflow) during the year	34,122	60,314	(7,803)	86,633	36,377
Cash and cash equivalents at the beginning of the year	55,427	26,093	36,821	118,341	81,964
Cash and cash equivalents at the end of the year	5 89,549	86,407	29,018	204,974	118,341

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Al Meezan Investment Management Limited
(Management Company)**


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	2013				2012
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	------(Rupees in '000)-----				
Net assets at the beginning of the year	324,443	332,267	210,840	867,550	416,343
Amount received on issue of units (2013: Equity sub fund: 1,931,420 Debt sub fund: 2,707,672 units; Money market sub fund: 939,081 units) (2012: Equity sub fund: 1,141,804 units; Debt sub fund: 1,308,516 units; Money market sub fund: 724,239 units)	429,339	450,163	155,935	1,035,437	488,829
Amount paid on redemption of units (2013: Equity sub fund: 717,342 units; Debt sub fund: 1,063,874 units; Money market sub fund: 498,079 units) (2012: Equity sub fund: 423,513 units; Debt sub fund: 200,225 units; Money market sub fund: 47,996 units)	(164,687) 264,652	(176,468) 273,695	(82,777) 73,158	(423,932) 611,505	(109,307) 379,522
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(69,883)	(14,573)	(3,180)	(87,636)	(24,443)
Net income for the year	285,228	48,871	21,818	355,917	96,128
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	285,228	48,871	21,818	355,917	96,128
Net assets at the end of the year	<u>804,440</u>	<u>640,260</u>	<u>302,636</u>	<u>1,747,336</u>	<u>867,550</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Al Meezan Investment Management Limited
(Management Company)**


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


CONTRIBUTION TABLE

FOR THE YEAR ENDED JUNE 30, 2013

Contributions net of front end fee received during the year	2013						2012	
	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund		Total (Rupees in '000)	
	Units	Rs in '000	Units	Rs in '000	Units	Rs in '000	Total (Rupees in '000)	
Individuals - issue of units	1,931,420	429,339	2,707,672	450,163	939,081	155,935	1,035,437	488,829

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NUMBER OF UNITS IN ISSUE


FOR THE YEAR ENDED JUNE 30, 2013

	2013		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
	-----Number of units-----		
Total units outstanding at the beginning of the year	2,022,279	2,107,797	1,328,706
Add: Units issued / converted / reallocated during the year	1,931,420	2,707,672	939,081
Less: Units redeemed / converted / reallocated during the year	(717,342)	(1,063,874)	(498,079)
Total units in issue at the end of the year	<u>3,236,357</u>	<u>3,751,595</u>	<u>1,769,708</u>

	2012		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
	-----Number of units-----		
Total units outstanding at the beginning of the year	1,303,988	999,506	652,463
Add: Units issued / converted / reallocated during the year	1,141,804	1,308,516	724,239
Less: Units redeemed / converted / reallocated during the year	(423,513)	(200,225)	(47,996)
Total units in issue at the end of the year	<u>2,022,279</u>	<u>2,107,797</u>	<u>1,328,706</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Al Meezan Investment Management Limited
(Management Company)**


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Tahaffuz Pension Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as pension fund manager and Central Depository Company of Pakistan Limited (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 advisor to ensure that the activities of the Fund are in compliance with the principles of shariah.
- 1.4** The Fund is an unlisted pension scheme. 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 advisor 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

These financial statements of the Fund 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.



4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Standards, amendments to published approved accounting standards and interpretations which became effective during the year

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

IAS 1- Presentation of Financial Statements – Presentation of items of comprehensive income

IAS 12- Income Taxes (Amendments) – Recovery of underlying assets

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

4.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

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

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

4.3 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'.

4.4 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 judgement in the process of applying 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 4.6 and 6); and
- (b) Impairment of financial instruments (note 4.6.5).

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.

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the unit holder's funds in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available-for-sale securities is included in distribution statement.



4.6 Financial instruments

4.6.1 Classification of financial instruments:

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss, loans and receivables or available-for-sale investments as appropriate.

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

This category has two sub-categories, namely; financial instruments held-for-trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short-term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short-term profit taking are classified as held-for-trading.
- Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

These investments are initially recognised at fair value, being the cost of the consideration given.

After initial measurement, investment at fair value through profit or loss are carried at fair value and the gains or losses on revaluation are recognised in the income statement.

(b) Loans and receivables

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

(c) Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the unit holders' fund until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in unit holders' fund is taken to the income statement.

4.6.2 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.

4.6.3 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. 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.

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

4.6.4 Fair value measurement principles

The fair value of financial instruments 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).
- The fair value of shares of listed companies / units of funds 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.

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.

4.6.5 Impairment

Impairment loss on investments 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 investments 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.



4.6.6 Derecognition

The Fund derecognises a financial asset when the contractual right 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.

4.7 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.

4.8 Issue, allocation, reallocation and redemption of units

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

The pension fund manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocations of the sub-fund units of all the participants are according to the allocation schemes selected by the participants.

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

4.9 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 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 year end.

4.11 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.

4.12 Zakat payable

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani shareholders are subject to Zakat @ 2.5% of the par value of the unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

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 assets at 'fair value through profit or loss' are included in the income statement in the year in which they arise.
- (iii) Dividend income is recognised when the Fund's right to receive the dividend is established.
- (iv) Profit on savings accounts with banks and investments in debt and money market 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 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.

4.17 Reallocation of units

The pension fund manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocations of the sub-fund units of all the participants are according to the allocation schemes selected by the participants.

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

4.18 Dividend and bonus units

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



5. BALANCES WITH BANKS

	Note	2013				2012
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
Current accounts		547	-	-	547	35
Savings accounts	5.1	89,002	86,407	29,018	204,427	118,306
		<u>89,549</u>	<u>86,407</u>	<u>29,018</u>	<u>204,974</u>	<u>118,341</u>

5.1 The balances in savings accounts carry expected profit which ranges from 5.28% to 9.05% (2012: 5.65% to 12.50%) per annum.

6. INVESTMENTS

	Note	2013				2012
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
Held-for-trading						
- shares of listed companies	6.1	733,905	-	-	733,905	274,597
- sukuk certificates	6.2	-	517,147	259,323	776,470	468,500
		<u>733,905</u>	<u>517,147</u>	<u>259,323</u>	<u>1,510,375</u>	<u>743,097</u>
Investments designated at 'fair value through profit or loss upon initial recognition'	6.3	-	1,000	349	1,349	2,250
Available-for-sale						
- sukuk certificates	6.4	-	25,018	8,000	33,018	-
		<u>733,905</u>	<u>543,165</u>	<u>267,672</u>	<u>1,544,742</u>	<u>745,347</u>

6.1 'Held-for-trading' - shares of listed companies

Name of the investee company	Note	As at July 1, 2012	Purchases during the year	Cost of purchase	Bonus / rights issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 6.1.2 below)	Percentage of paid-up capital of investee company
		Number of shares		Rs in '000		Number of shares		Rupees in '000				
Equity Sub Fund												
Automobile and parts												
Agriauto Industries Limited		25,000	30,000	2,648	-	10,000	45,000	3,812	3,381	(431)	0.42	0.31
Indus Motor Company Limited		25,655	-	-	-	5,000	20,655	5,062	6,424	1,362	0.80	0.03
Pak Suzuki Motor Company Limited		49,733	40,000	4,016	-	29,000	60,733	6,001	9,032	3,031	1.12	0.07
Chemicals												
Fauji Fertilizer Bin Qasim Limited		349,000	407,951	16,037	-	153,000	603,951	24,013	22,672	(1,341)	2.82	0.06
Fauji Fertilizer Company Limited		243,187	273,011	31,641	-	108,000	408,198	46,486	43,853	(2,633)	5.45	0.03
ICI Pakistan Limited		101,901	12,000	1,980	-	111,931	1,970	272	328	56	0.04	-
Construction and materials												
AkzoNobel Pakistan Limited		34,096	-	-	-	34,096	-	-	-	-	-	-
Attock Cement Pakistan Limited		57,992	-	-	8,698	66,690	-	-	-	-	-	-
DG Khan Cement Company Limited		402,897	557,500	32,209	-	164,000	796,397	40,399	66,650	26,251	8.29	0.18
Lucky Cement Limited		131,995	122,011	17,055	-	254,006	32,286	32,286	53,270	20,984	6.62	0.08
Kohat Cement Company Limited		-	87,000	6,993	-	87,000	-	-	-	-	-	-
Electricity												
The Hub Power Company Limited		617,575	736,170	37,518	-	200,000	1,153,745	54,772	71,128	16,356	8.84	0.10
Kohinoor Energy Limited		-	75,000	2,550	-	-	75,000	2,550	2,813	263	0.35	0.04
Automobile assembler												
Millat Tractors Company Limited		6,000	36,800	20,426	1,620	44,420	-	-	-	-	-	-
Fixed line telecommunication												
Pakistan Telecommunication Company Limited "A"		399,700	1,022,000	20,485	-	500,000	921,700	17,419	20,453	3,034	2.54	0.02
Food producers												
Unilever Pakistan Limited		526	460	4,831	-	986	-	-	-	-	-	-
Engro Foods Limited		82,000	565,300	60,568	-	208,000	439,300	50,698	61,840	11,142	7.69	0.06
General industries												
Packages Limited		100,851	101,000	19,329	-	4,000	197,851	28,985	44,194	15,209	5.49	0.23
Thal Limited		53,769	10,000	1,310	4,876	25,000	43,645	4,154	5,564	1,410	0.69	0.06
Tri-Pack Films Limited		51,187	-	-	-	25,000	26,187	5,499	5,290	(209)	0.66	0.09
Oil and gas												
National Refinery Limited		9,655	-	-	-	9,655	-	-	-	-	-	-
Oil and Gas Development Company Limited		130,900	192,816	37,823	-	11,000	312,716	57,010	71,534	14,524	8.89	0.01
Pakistan Oilfields Limited		77,150	34,400	15,231	-	4,500	107,050	41,874	53,244	11,370	6.62	0.05
Pakistan Petroleum Limited		124,240	238,305	44,331	44,636	75,800	331,381	55,974	70,114	14,140	8.72	0.02
Pakistan State Oil Company Limited		64,300	113,828	27,095	45,539	26,200	197,467	37,116	63,264	26,148	7.86	0.10
Attock Petroleum Limited		19,000	16,000	7,792	-	15,900	19,100	9,171	10,718	1,547	1.33	0.03
Attock Refinery Limited		-	28,000	4,852	-	28,000	-	-	-	-	-	-
Personal goods												
Nishat Mills Limited		-	488,000	40,955	-	-	488,000	40,955	45,974	5,019	5.72	0.14
Pharma and bio tech												
Glaxo Smithkline Pakistan Limited		46,300	-	-	-	46,300	-	-	-	-	-	-
Abbott Laboratories (Pakistan) Limited		-	12,500	2,956	-	5,900	6,600	1,563	2,165	602	0.27	0.01
Total				<u>460,631</u>				<u>566,071</u>	<u>733,905</u>	<u>167,834</u>		

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

6.1.2 Net assets are as defined in Rule 2(1)(m) of VPS Rules.

6.2 'Held-for-trading' - sukuk certificates

Name of the investee company	Maturity date	Profit rate per annum	As at July 1, 2012	Purchases during the period	Cost of purchase	Sales during the period	Maturity during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 6.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000	Number of certificates	Rupees in '000				
Debt Sub Fund												
GoP - Ijara sukuk (note 6.2.1)	September 17, 2012	Weighted average 6 months T-Bills	30	-	-	-	30	-	-	-	-	-
GoP - Ijara sukuk (note 6.2.1)	November 15, 2013	Weighted average 6 months T-Bills	580	55	5,504	500	-	135	13,504	13,500	(4)	2.11
GoP - Ijara sukuk (note 6.2.1)	December 20, 2013	Weighted average 6 months T-Bills	30	-	-	-	-	30	3,000	3,000	-	0.47
GoP - Ijara sukuk (note 6.2.1)	March 07, 2014	Weighted average 6 months T-Bills	50	-	-	-	-	50	5,000	5,000	-	0.78
GoP - Ijara sukuk (note 6.2.1)	May 16, 2014	Weighted average 6 months T-Bills	130	-	-	-	-	130	13,000	13,000	-	2.03
GoP - Ijara sukuk (note 6.2.1)	December 26, 2014	Weighted average 6 months T-Bills	540	-	-	250	-	290	29,000	29,000	-	4.53
GoP - Ijara sukuk (note 6.2.1)	March 02, 2015	Weighted average 6 months T-Bills	540	200	20,000	-	-	740	74,000	74,000	-	11.56
GoP - Ijara sukuk (note 6.2.1)	April 30, 2015	Weighted average 6 months T-Bills	600	-	-	-	-	600	60,000	60,000	-	9.37
GoP - Ijara sukuk (note 6.2.1)	June 28, 2015	Weighted average 6 months T-Bills	500	-	-	-	-	500	50,000	50,000	-	7.81
GoP - Ijara sukuk (note 6.2.1)	September 18, 2015	Weighted average 6 months T-Bills	-	1,306	130,672	-	-	1,306	130,672	130,647	(25)	20.41
GoP - Ijara sukuk (note 6.2.1)	March 28, 2016	Weighted average 6 months T-Bills	-	1,390	139,000	-	-	1,390	139,000	139,000	-	21.71
			3,000	2,951	295,176	750	30	5,171	517,176	517,147	(29)	

Name of the investee company	Maturity date	Profit rate per annum	As at July 1, 2012	Purchases during the year	Cost of purchase	Sales during the year	Maturity during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 6.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000						
Money Market Sub Fund												
GoP - Ijara sukuk (note 6.2.1)	September 17, 2012	Weighted average 6 months T-Bills	950	-	-	-	950	-	-	-	-	-
GoP - Ijara sukuk (note 6.2.1)	November 15, 2013	Weighted average 6 months T-Bills	20	1,740	174,091	-	-	1,760	176,091	176,000	(91)	58.16
GoP - Ijara sukuk (note 6.2.1)	March 07, 2014	Weighted average 6 months T-Bills	300	-	-	-	-	300	30,000	30,000	-	9.91
GoP - Ijara sukuk (note 6.2.1)	May 16, 2014	Weighted average 6 months T-Bills	20	-	-	20	-	-	-	-	-	-
GoP - Ijara sukuk (note 6.2.1)	March 02, 2015	Weighted average 6 months T-Bills	130	50	5,000	-	-	180	18,000	18,000	-	5.95
GoP - Ijara sukuk (note 6.2.1)	April 30, 2015	Weighted average 6 months T-Bills	120	-	-	-	-	120	12,000	12,000	-	3.97
GoP - Ijara sukuk (note 6.2.1)	June 28, 2015	Weighted average 6 months T-Bills	145	-	-	-	-	145	14,500	14,500	-	4.79
GoP - Ijara sukuk (note 6.2.1)	September 18, 2015	Weighted average 6 months T-Bills	-	588	58,833	500	-	88	8,825	8,823	(2)	2.92
			1,685	2,378	237,924	520	-	2,593	259,416	259,323	(93)	

6.2.1 The nominal value of the sukuk certificates is Rs.100,000 each.

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

Name of the investee company	Maturity date	Profit rate per annum	As at July 1, 2012	Purchases during the year	Cost of purchase	Sales during the year	Redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 6.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000	Number of certificates	Rupees in '000				
Debt Sub Fund												
Eden Housing Limited (note 6.3.1)	September 29, 2014	3 months Kibor plus base rate of 2.5%	500	-	-	-	-	500	651	651	-	0.10
Security Leasing Corporation Limited II (note 6.3.2)	January 19, 2022	-	195	-	-	-	21	174	593	349	(244)	0.05
			695	-	-	-	21	674	1,244	1,000	(244)	
Money Market Sub Fund												
Security Leasing Corporation Limited II (note 6.3.2)	January 19, 2022	-	195	-	-	-	21	174	593	349	(244)	0.12
			195	-	-	-	21	174	593	349	(244)	

6.3.1 The principal buy out reduces the face value per certificate instead of number of certificates. The face value of the sukuk certificates is Rs.1,875 each.

These certificates are secured against hypothecation of assets and mortgage of the property.

6.3.2 Security Leasing Corporation Limited (SLCL) was categorized as non-performing by MUFAP as at June 30, 2011. The Fund maintains the minimum provision required to be made as at June 30, 2013 in accordance with Circular No. 33 of 2012 issued by the Securities and Exchange Commission of Pakistan.

These certificates are secured against registered charge over specific leased assets and associated lease receivables with 25% security margin and carry no mark-up presently.

The nominal value of these sukuk certificates is Rs.5,000 each.

6.4 'Available-for-sale' - sukuk certificates

Name of the investee company	Maturity date	Profit rate per annum	As at July 1, 2012	Purchases during the year	Cost of purchase	Sales during the year	Maturity during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 6.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000						
Debt Sub Fund												
GoP - Ijara sukuk (note 6.2.1)	December 20, 2013	Weighted average 6 months T-Bills	-	80	8,000	-	-	80	8,000	8,000	-	1.25
GoP - Ijara sukuk (note 6.2.1)	May 16, 2014	Weighted average 6 months T-Bills	-	170	17,018	-	-	170	17,018	17,018	-	2.66
			-	250	25,018	-	-	250	25,018	25,018	-	
Money Market Sub Fund												
GoP - Ijara sukuk (note 6.2.1)	December 20, 2013	Weighted average 6 months T-Bills	-	80	8,000	-	-	80	8,000	8,000	-	2.64
			-	80	8,000	-	-	80	8,000	8,000	-	



	2013				2012
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total

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

7. PROFIT RECEIVABLE

Profit receivable on					
- savings accounts with banks	1,856	1,778	2,807	6,441	2,263
- sukuk certificates	-	10,734	4,022	14,756	10,027
	<u>1,856</u>	<u>12,512</u>	<u>6,829</u>	<u>21,197</u>	<u>12,290</u>

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

Management remuneration	8.1	944	711	355	2,010	927
Front-end fee payable		-	-	-	-	351
Sales tax and federal excise duty on management fee		238	204	93	535	147
		<u>1,182</u>	<u>915</u>	<u>448</u>	<u>2,545</u>	<u>1,425</u>

8.1 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.

9. SALES TAX AND FEDERAL EXCISE DUTY ON MANAGEMENT FEE

During the current year, an amount of Rs.2.623 million (June 30, 2012: Rs.1.265) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011 and Rs.0.422 million (June 30, 2012: Rs.Nil) was charged on account of federal excise duty on management fee levied through Finance Bill, 2013 with effect from June 13, 2013.

10. PAYABLE TO CENTRAL DEPOSITORY COMPANY (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.

11. 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.

	2013				2012
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total

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

12. ACCRUED EXPENSES AND OTHER LIABILITIES

Payable on redemption of units		10	148	131	289	1,972
Charity payable	12.1	780	-	-	780	244
		<u>790</u>	<u>148</u>	<u>131</u>	<u>1,069</u>	<u>2,216</u>

- 12.1 According to the instructions of the shariah advisor, 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.

13. CONTINGENCIES

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 Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts 2006 and 2008 have been declared unconstitutional and therefore struck down. However, during March 2013, the SHC larger bench issued a judgment in response to various petitions in similar cases whereby the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Acts 2006 and 2008 respectively (Money Bills) have been declared constitutional and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

MUFAP's legal counsel is of the view that the stay granted to mutual funds in respect of recovery of WWF remains intact and the constitutional petition filed by the Mutual Funds to challenge the Workers Welfare Fund contribution has not been affected by the Judgment passed by the larger bench of SHC. Further, the pension fund manager has considered the implications of above judgment of SHC and is of the view that the matter will eventually be settled in its favor and WWF will not be levied on the Fund.

However, notwithstanding the above and without prejudice to the Fund's stance as stated above, with effect from January 01, 2013, the Fund has, as a matter of abundant caution, started to make provision against WWF amounting to Rs.4.98 million. Further, the Fund has not made WWF provision upto December 31, 2012 amounting to Rs.3.74 million, Rs.1.60 million and Rs.0.98 million in Equity sub fund, Debt sub fund and Money market sub fund respectively. Had the above referred provision upto December 31, 2012 been made, the net asset value per unit would have been lower by Rs.1.16 (0.46%), Rs.0.43 (0.25%) per unit and Rs.0.55 (0.32%) per unit for Equity sub fund, Debt sub fund and Money market sub fund respectively.

	2013				2012
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	------(Rupees in '000)-----				

14. AUDITORS' REMUNERATION

Audit fee	62	62	61	185	185
Half yearly review	34	33	33	100	100
Out of pocket expenses	6	7	7	20	24
	102	102	101	305	309



15. EARNINGS PER UNIT - BASIC AND DILUTED

	2013		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
Net income for the year (Rupees in '000)	285,228	48,871	21,818
Units outstanding as at June 30, 2013 (number of units)	3,236,357	3,751,595	1,769,708
Earnings per unit - basic (Rupees)	88.13	13.03	12.33

	2012		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
Net income for the year (Rupees in '000)	46,534	28,758	20,836
Units outstanding as at June 30, 2012 (number of units)	2,022,279	2,107,797	1,328,706
Earnings per unit - basic (Rupees)	23.01	13.64	15.68

15.1 There were no convertible dilutive potential units outstanding on June 30, 2013 and 2012.

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 advisor of the Fund and the 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 Limited, Meezan Balanced Fund, KSE Meezan Index Fund, Meezan Capital Protected Fund-II, Meezan Cash Fund, Meezan Sovereign Fund and Meezan Financial Planning Fund of Funds being the funds under the common management of the pension fund manager.

Remuneration payable to the pension fund manager and the trustee is determined in accordance with the provisions of VPS Rules and the trust deed respectively. Transactions with connected persons are carried out in the normal course of business at contracted rates.

Details of transactions with connected persons and balances with them as of June 30, 2013 and for the year then ended are as follows:

	2013				2012
	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: 260,077 units;					
Debt sub fund: Nil units;					
Money market sub fund: 441,476 units)	<u>64,645</u>	-	<u>75,497</u>	<u>140,142</u>	<u>184,501</u>
Directors and executives of the					
pension fund manager					
As at June 30, 2013					
(Equity sub fund: 389,182 units;					
Debt sub fund: 289,108 units;					
Money market sub fund: 59,595 units)					
As at June 30, 2012					
(Equity sub fund: 328,631 units;					
Debt sub fund: 158,645 units;					
Money market sub fund: 32,961 units)	<u>96,735</u>	<u>49,352</u>	<u>10,191</u>	<u>156,278</u>	<u>82,961</u>

	2013				2012
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	------(Rupees in '000)-----				
Units issued during the year (Equity sub fund: 382,226 units; Debt sub fund: 279,731 units; Money market sub fund: 48,625 units)	82,914	47,017	8,222	138,153	77
Units redeemed / reallocated during the year (Equity sub fund: 210,404 units; Debt sub fund: 61,453 units; Money market sub fund: 6,848 unit)	45,582	10,315	1,155	57,052	-
Al Meezan Investment Management Limited - Pension Fund Manager					
Remuneration					
Remuneration payable at the beginning of the year	369	341	217	927	484
Front-end fee at the beginning of the year	211	116	24	351	313
Formation cost payable at the beginning of the year	-	-	-	-	237
Remuneration for the year	7,267	6,651	3,771	17,689	7,908
Front-end fee for the year	6,702	4,938	1,537	13,177	3,573
	14,549	12,046	5,549	32,144	12,515
Amount paid during the year	(13,605)	(11,335)	(5,194)	(30,134)	(11,237)
Balance at the end of the year	944	711	355	2,010	1,278
Sales tax and federal excise duty on management fee					
Sales tax payable at the beginning of the year	57	55	35	147	-
Sales tax for the year	1,251	1,154	640	3,045	1,265
	1,308	1,209	675	3,192	1,265
Amount paid during the year	(1,070)	(1,005)	(582)	(2,657)	(1,173)
Balance at the end of the year	238	204	93	535	92
Total payable at the end of the year	1,182	915	448	2,545	1,370
Meezan Bank Limited					
Bank balance	737	5,621	686	7,044	45,880
Profit on savings accounts	149	195	194	538	99
Profit receivable on savings accounts	64	21	61	146	5
Central Depository Company of Pakistan Limited - trustee of the Fund					
Balance at the beginning of the year	34	33	21	88	47
Remuneration for the year	687	628	359	1,674	791
CDS charges for the year	22	6	6	34	23
	743	667	386	1,796	861
Amount paid during the year	(650)	(605)	(355)	(1,610)	(773)
Balance at the end of the year	93	62	31	186	88



17. FINANCIAL INSTRUMENTS BY CATEGORY

	2013				Total
	Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial assets at 'available-for-sale'	Financial liabilities measured at amortised cost	

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

Financial assets

Balances with banks	204,974	-	-	-	204,974
Investments	-	1,511,724	33,018	-	1,544,742
Dividend receivable	465	-	-	-	465
Profit receivable	21,197	-	-	-	21,197
Deposit with CDC	300	-	-	-	300
	226,936	1,511,724	33,018	-	1,771,678

Financial liabilities

Payable against purchase of investments	-	-	-	14,985	14,985
Payable to Al Meezan - pension fund manager	-	-	-	2,545	2,545
Payable to CDC - trustee of the Fund	-	-	-	186	186
Payable to auditors	-	-	-	185	185
	-	-	-	17,901	17,901

	2012				Total
	Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial assets at 'available-for-sale'	Financial liabilities measured at amortised cost	

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

Financial assets

Balances with banks	118,341	-	-	-	118,341
Investments	-	745,347	-	-	745,347
Dividend receivable	495	-	-	-	495
Profit receivable	12,290	-	-	-	12,290
Deposit with CDC	300	-	-	-	300
	131,426	745,347	-	-	876,773

Financial liabilities

Payable against purchased of investment	-	-	-	5,134	5,134
Payable to Al Meezan - pension fund manager	-	-	-	1,425	1,425
Payable to CDC - trustee of the Fund	-	-	-	88	88
Payable to auditors	-	-	-	185	185
	-	-	-	6,832	6,832

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 is 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 pension fund manager'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 6 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.7.339 million (2012: Rs.2.746 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 1% on KMI index 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 of 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.50.756 million (2012: approximately Rs.33.720 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, receivable against sale of investments and other deposits.

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of atleast investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The credit rating wise analysis of investment in sukuks has been tabulated as follows:

	June 30, 2013		June 30, 2012	
	Debt Sub Fund	Money Market Sub Fund	Debt Sub Fund	Money Market Sub Fund
	------(%)-----			
Government guaranteed	99.82	99.87	99.47	99.61
Non-rated	0.18	0.13	0.53	0.39
	100.00	100.00	100.00	100.00

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. 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:

	2013	2012
	------(%)-----	
AAA	0.75	-
AA+	75.89	33.29
AA	4.38	4.96
AA-	-	38.42
A	18.98	23.33
	<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, 2013 and 2012 is tabulated below:

	2013	2012
	(Rupees in '000)	
Financial assets		
Balances with banks	204,974	118,341
Investments at 'fair value through profit or loss'	777,819	470,750
Investments at 'available-for-sale'	33,018	-
Dividend receivable	465	495
Profit receivable	21,197	12,290
Deposit with CDC	300	300
	<u>1,037,773</u>	<u>602,176</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.



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.262.100 million as on June 30, 2013 (2012: Rs.130.133 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 financial liabilities into relevant maturity grouping as at June 30, 2013 and 2012 is tabulated below:

	2013					2012
	Maturity upto					Total
	Three months	Six months	One year	More than one year	Total	Total
------(Rupees in '000)-----						
Payable against purchase of investments	14,985	-	-	-	14,985	5,134
Payable to Al Meezan Investment Management Limited - pension fund manager	2,545	-	-	-	2,545	1,425
Payable to CDC - trustee of the Fund	186	-	-	-	186	88
Payable on redemption of units	289	-	-	-	289	1,972
Charity payable	-	-	780	-	780	244
Payable to auditors	185	-	-	-	185	185
2013	18,190	-	780	-	18,970	9,048

	2012					2011
	Maturity upto					Total
	Three months	Six months	One year	More than one year	Total	Total
------(Rupees in '000)-----						
Payable against purchase of investments	5,134	-	-	-	5,134	-
Payable to Al Meezan Investment Management Limited - pension fund manager	1,425	-	-	-	1,425	1,034
Payable to CDC - trustee of the Fund	88	-	-	-	88	47
Payable on redemption of units	1,972	-	-	-	1,972	2
Charity payable	-	-	244	-	244	258
Payable to auditors	185	-	-	-	185	235
2012	8,804	-	244	-	9,048	1,576

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 endeavours 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. sukuks) 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, its value is determined by using discounted cash flows or the last quoted prices of MUFAP.

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 classifies fair value measurements of its investments using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

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

An analysis of the Fund's financial assets into relevant groupings is tabulated below:



	June 30, 2013		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Assets			
Financial assets 'held-for-trading'			
- Equity securities	733,905	-	-
- Debt securities	-	542,165	-
Financial assets designated at 'fair value through profit or loss at initial recognition'			
- Debt securities	-	-	1,349
Financial assets 'available-for-sale'			
- Debt securities	-	267,323	-
	<u>733,905</u>	<u>809,488</u>	<u>1,349</u>

	June 30, 2012		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Assets			
Financial assets 'held-for-trading'			
- Equity securities	274,597	-	-
- Debt securities	-	468,500	-
Financial assets designated at 'fair value through profit or loss at initial recognition'			
- Debt securities	-	-	2,250
	<u>274,597</u>	<u>468,500</u>	<u>2,250</u>

The following table presents the transfers between levels:

	June 30, 2013		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Transfers between level 2 and level 3			
- Debt securities	-	-	-

	June 30, 2012		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Transfers between level 2 and level 3			
- Debt securities	-	-	-

The following table presents the movement in level 3 instruments.

	2013	2012
	(Rupees in '000)	
Opening balance	2,250	3,021
Transfers into / (from) level 3	-	-
Sales / redemptions	(414)	(723)
Provisions	-	-
Loss recognised in income statement	(487)	(48)
Closing balance	<u>1,349</u>	<u>2,250</u>

21. PERFORMANCE TABLE

	For the year ended June 30, 2013	For the year ended June 30, 2012	Percentage change	For the year ended June 30, 2011
	Rupees in '000		(%)	Rupees in '000
EQUITY SUB FUND				
Net income	285,228	46,534	513	47,708
Net realised gain on sale of investments	31,167	15,445	102	9,794
Unrealised loss on re-measurement of investments at 'fair value through profit or loss'	167,834	16,977	889	19,649
Dividend income	28,192	13,670	106	9,865
Profit on savings accounts with banks	2,825	1,602	76	1,461
Transactions in securities				
Purchases	460,631	162,340	184	89,938
Sales	204,999	83,483	146	44,418
Total contribution received	429,339	174,045	147	44,955
Total net asset value	804,440	324,443	148	179,133
DEBT SUB FUND				
Net income	48,871	28,758	70	21,303
Net realised gain / (loss) on sale of investments	516	(1,152)	(145)	597
Unrealised loss on re-measurement of investments at 'fair value through profit or loss'	(273)	(24)	1,038	(1,094)
Profit on savings accounts with banks	5,098	3,638	40	2,632
Profit on placements	-	-	-	53
Profit on Sukuk Certificates	38,267	18,087	112	11,339
Transactions in securities				
Purchases	320,194	223,000	44	82,000
Sales	78,362	34,908	124	11,340
Total contribution received	450,163	202,012	123	37,623
Total net asset value	640,260	332,267	93	143,908
MONEY MARKET SUB FUND				
Net income	21,818	20,836	5	11,256
Net realised gain / (loss) on sale of investments	32	480	(93)	117
Unrealised loss on re-measurement of investments at 'fair value through profit or loss'	(337)	(9)	3,644	(59)
Profit on savings accounts with banks	10,125	4,110	146	5,271
Profit on placements	-	-	-	874
Profit on Sukuk Certificates	14,031	9,736	44	3,478
Transactions in securities				
Purchases	245,924	164,485	50	28,000
Sales	147,008	41,887	100	-
Total contribution received	155,935	112,772	38	12,417
Total net asset value	302,636	210,840	44	93,302



	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
	----- Rupees in '000 -----		
NAV per unit	248.56	170.66	171.01
Earnings per unit	88.13	13.03	12.33
Highest issue price per unit	260.62	170.56	171.01
Lowest issue price per unit	163.38	157.72	158.76


22. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the pension fund manager.

23. GENERAL

Figures have been rounded off to the nearest thousand rupees.

**For Al Meezan Investment Management Limited
(Management Company)**


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director