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Vision



To make Shariah compliant investing a first choice for investors.

► Mission

To establish Al Meezan as a leading and trusted brand for savings and investments by offering innovative Shariah compliant investment solutions through ethical conduct, value added services and optimal returns, while protecting the interest of all stakeholders.

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
Website: www.almeezangroup.com

FUND INFORMATION

BOARD OF DIRECTORS OF THE PENSION FUND MANAGER

Mr. Anifur Islam	Non-executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Moin Fudda	Independent	
Mr. Tasnimul Haq Farooqui	Non-executive	
Mr. Mazhar Sharif	Non-executive	
Syed Amir Ali	Non-executive	
Syed Amir Ali Zaidi	Non-executive	
Mr. Moharmmad 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. Anifur Islam	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Moharmmad 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

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh SultanTrust Building No.2, Beaumont Road, Karachi - 75530.

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TOTHE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Habib Metropolitan Bank Limited - Islamic Banking
Meezan Bank Limited
Bank Alfalah - Islamic Banking Branch
Dubai Islamic Bank
Habib Bank Limited- Islamic Banking
MCB Bank Limited
UBL Arneen - Islamic Banking

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: (9221) 3206 2891 Fax: 3255 2771
Website: 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, 2014.

Economic Review

Pakistan's economy has been on a path to revival since the end of the calendar year 2013, as indicated by notable improvements in key economic indicators. The fiscal year 2014 showed sign of economic revival with the real GDP growing by 4.1% as compared to 3.7% in the previous year. Main drivers were large scale manufacturing and services sector which registered growth of 5.8% and 4.3% in FY14. Pakistan availed the IMF Extended Fund Facility Program at the start of the fiscal year and under its guidance was able to reduce the fiscal deficit to 5.8% of GDP in FY 14 compared to 8.2% in the previous year. Other developments on the macro-front included: i) a rapid rise and subsequent tapering off of inflationary pressure ii) reversal in the monetary easing stance of the State Bank of Pakistan (SBP) to tackle rising inflation iii) recovery of the entire 6% depreciation posted by Rupee against the USD in current fiscal year iv) increase in the forex reserves of the SBP through inflows from friendly countries v) narrowing trade deficit with exports picking up at a faster pace than imports.

In the first half of fiscal year a rapid resurgence of inflationary pressure took place which settled at an average of 8.6% during FY14, after touching a high of 10.9% in November 13. This was attributed to rationalization of electricity tariffs with removal of subsidies, rising food inflation and a devaluing PKR. As a result, SBP raised its key policy rate by 100 bps, reversing its earlier monetary easing stance. However with the effects of fiscal consolidation tapering off and stability seen in the Rupee, inflation has now receded back to comfortable levels. SBP, lowering its full year inflation forecast to 8.5-9.5%, decided to keep its policy rate unchanged in the last two monetary policy announcements.

The economic recovery which was kicked off from the month of December 2013 was initiated by increase in foreign exchange reserves. Foreign exchange reserves picked up, from a dismal level of below one month of import cover, leading to sharp appreciation of PKR against USD. Triggered by USD 1.5bn inflow from Saudi Arabia under Pakistan Development Fund, CSF receipts of about USD 350mn in each quarter, IMF 3rd tranche of USD 550mn, Euro Bond issuance of USD 2bn, USD 400mn from ADB, USD 900mn from 3G Auction and lately USD 387mn from privatization proceeds of UBL have allowed SBP's foreign exchange reserves to improve from USD 5.2bn in January, 2014 to USD 9.0bn in June, 2014. Market sentiments were improved with an increase in foreign exchange which acutely reflected in the appreciation of the Rupee against the USD after December 2013 whereby it has appreciated by 7% to close at Rs. 99/USD as on June 30, 2014.

Owing to improved foreign inflows and lower fiscal deficit, the government has been able to reduce dependence on SBP borrowing. The government has retired more than PKR 500bn SBP borrowing since February 2014 which has helped improved NDA-NFA ratio as well. As a result, M2 growth has been restricted to 8.6% YTD till 6th Jun-14 as compared to 11.8% YTD till June last year. Moreover, the government has also lowered riskiness of its debt profile and increased its maturity by higher participation in PIBs in place of treasury bills during the second half of FY14.

The current account continues to be marred with challenges as it posted a deficit of USD 2.92 billion in FY14. With growth in imports and exports in tandem, the trade deficit has expanded narrowly. Grant of the coveted GSP+ status by the EU to the country will help in boosting textile exports to the region and rake in an additional USD 2.0 billion.

Implementation of the much needed fiscal consolidation reforms resulted in tax collection of Rs. 2.26 trillion translating

into a 16.4% YoY increase. This has helped Government to curtail fiscal deficit from 8% of GDP in FY 13 to 5.8% in FY14. In order to bridge the gap between expenditures and revenue collection the government has slashed several funds including secret service expenditures, discretionary funds and current expenditure allocation of ministries. These steps along with issuance of tax notices and rationalization of concessionary SROs will not only help in restricting the fiscal deficit but shall also improve the low tax-to-GDP ratio.

Even though the foreign inflows have improved, however, most of these inflows have materialized under the head of Foreign Portfolio Investment which is of short-term nature, while Foreign Direct Investment has remained dismal. To address energy issues, as it has become imperative for the government to improve security and energy situation in the country, government plans to raise energy tariffs which shall rebuild inflationary cycles in the economy. Tax collection has remained below target which needs to improve to address fiscal concerns and tax base should be widened to bring undocumented sectors under the tax net. Sharp appreciation in real effective exchange rate has made our exports uncompetitive and has had severe adverse consequences on trade balance and external account of the country. To conclude, economic recovery has started but much more needs to be done to achieve sustainable economic growth.

Equity Review

The KMI-30 Index continued on its positive momentum in FY14 and closed the year at the level of 46,986 on June 30, 2014, yielding an impressive 29.89% return for the above period. With a smooth political transition and achievement of simple majority, the PML-N government triggered optimism by bringing the economy back on track and averting the balance of payment crisis. Post the general elections, a smooth change of guards at major power centres including presidency, army and judiciary further helped in strengthening the foundations of democracy. Softening inflationary pressures, strengthening PKR vs. USD, initiation of privatization program and considerable improvement in the country's forex reserves helped restore investors' confidence which was reflected in the form of increased average trading volume of 146 million shares (compared to 125 million shares in the corresponding period last year) while the average traded value also rose by 74.67% to Rs. 8.8 billion.

The KSE-100 (KSE-100), during the period under review also appreciated by 38.8% closing at 29,653.

After going through a consolidation phase during the first three months of this fiscal year, the market started regaining its momentum on the back of foreign flows and robust economic activity. Initially the potential decrease in cement prices, abnormal PKR devaluation, rising inflation numbers along with SBP's return to a monetary tightening stance were the major factors limiting the market growth. Later, cement price increase, improving PKR versus USD and the fall in CPI numbers to a single digit helped to restore investor confidence and resumed increase in the stock market.

The positive macro economic factors helped the KSE-100 index and KMI-30 in touching their all time highs of 29,790 and 48,065 respectively and eventually closed the fiscal year at 29,653 and 47,687.

Equity Flows

Net foreign participation in the equity market, after remaining weak (USD 9 million net outflow during the first six months of FY'14), regained massive momentum during the second half taking the fiscal year to date foreign portfolio investment to a net inflow of USD 253 million. Banks with a net buy of USD 88 million were the leading buyers in the market followed by companies which invested USD 60 million during the same period. However, Mutual Funds remained net sellers in the market with a net outflow of USD 154 million.

Sector Performance

During FY14, strong local and foreign flows mainly led to strong rally in fundamentally sound stocks in Banking, Oil and Gas and Construction Sectors remained in the limelight as expected discount rate cut by the SBP did not materialize, hence, leading to a rally in previously depressed banking stocks. Construction Sector remained depressed during the latter half of the year with exception of Lucky Cement stock which went up in anticipation of strong potential cash-flows owing to new investment in Coal Plant. Pakistan Petroleum gained on the back of a successful secondary offering by the GoP.

Amongst the lagging stocks were Engro Foods, National Refinery in Food Producers and Oil and Gas sector which declined owing to adverse company-specific fundamental developments.

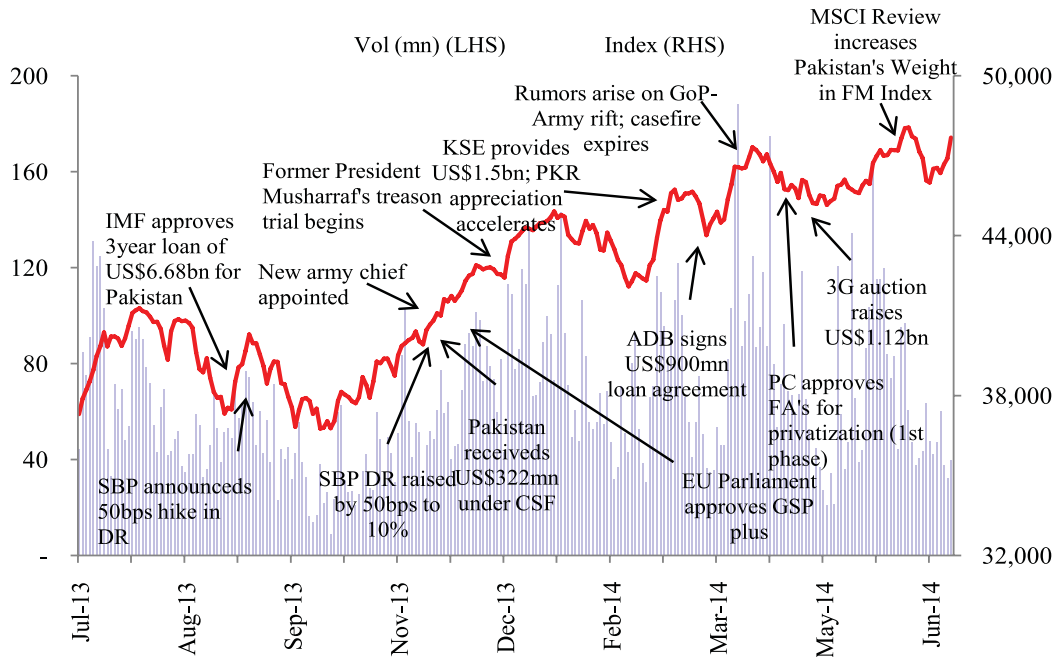
Key contributors to the increase in Index

Company Name	KMI -30 Index Points	Total Return
Lucky Cement Ltd	1,896	102.54%
Pakistan Petroleum Ltd	1,280	32.99%
Pakistan State Oil	994	35.93%
Oil & Gas Development Company Ltd	651	18.28%

Key contributors to the decline in Index

Company Name	KMI -30 Index Points	Total Return
Engro Foods Ltd	-289	-27.16%
National Refinery Ltd	-49	-4.56%
Pakgen Power Ltd	-13	-16.35%
Lotte Chemicals	-13	-5.64%

A graphical summary of the performance of KSE-100 index is as follows:



Money Market Review

FY14 commenced with the SBP reverting back to a monetary tightening stance whereby the first two bi-monthly monetary policies (MPS) each saw a 50bps rise in the key rate which took it back to 10%. The usual speculation rounds were witnessed around the MPSs to follow but the discount rate was maintained without a change during the rest of the year.

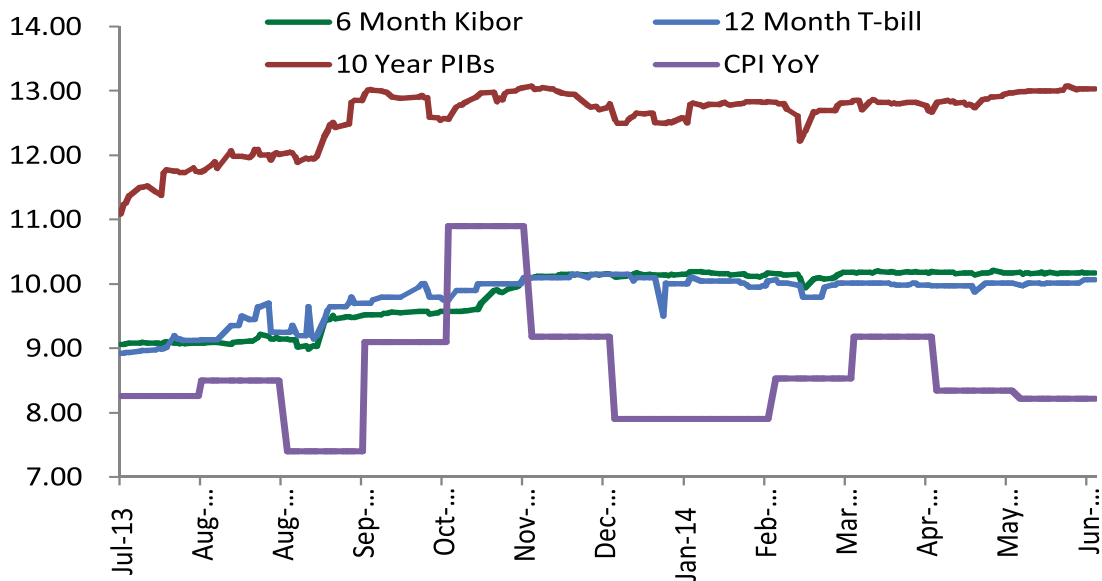
The money market faced a mixed liquidity scenario throughout the year which was evidenced by SBP's Open Market Operations (OMOs); 35 OMOs were conducted to inject Rs. 6.2 trillion while 44 OMOs were conducted to mop up Rs. 2.7 trillion from the system. Alongside, 26 T-bill auctions and 12 PIB auction were also conducted during the year; cumulatively, the government accepted Rs. 6.7 trillion against a participation of Rs. 7.3 trillion in T-bills while Rs. 2 trillion was accepted against a participation of Rs. 2.2 trillion in PIBs. During this fiscal year, the new government's focus was seen to have shifted towards longer-term borrowing whereby record participation and acceptance were seen in PIB auctions as mentioned above (in comparison to FY 2013's Rs. 251 billion acceptance in PIBs).

For the Shariah compliant end of the market, the year proved to be quite turbulent mainly on account of supply deficit of Ijarah sukuks. The year saw four Ijarah maturities worth Rs. 182.35 Billion but only one new auction which was ultimately carried out after excessive delays, right before the fiscal year end. The desperation for excess liquidity placement was evident from the fact that the auction target was Rs. 49.5 billion against which the SBP received bids worth almost Rs. 114 billion. The result was a cut off 200bps below the six month T-bill yield which effectively produces a yield below 8% for the new instrument. This single auction during the outgoing fiscal year was not enough to manage the excess liquidity still prevalent in the Islamic market.

The forex front stayed quite active for most part of this fiscal year. By the end of first half of FY14, the rupee had slid by around 9% in the interbank and open market. But concrete developments like forex inflows received in Pakistan Development Fund, successful and oversubscribed Euro Bond auction, installments disbursed under the IMF program and deferment received in oil payments, all helped the rupee in gaining its lost value. As a result of the above mentioned

actors, by the end of FY14, the rupee closed around 1% stronger in the interbank and open market at Rs. 98.85/\$ and Rs. 99.40/\$ in comparison to the previous fiscal year.

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



Mutual Fund Industry Review

During the FY14, Assets under Management (AUM) of the mutual fund industry witnessed an increase of 12.0% to Rs. 402 billion. Islamic funds grew by 25.6% during the year to Rs 85 billion, thus bringing the contribution of Islamic funds to 21.0% in the total mutual fund industry.

In terms of net assets, fixed income funds (comprising sovereign, money market and income fund) increased a measure 1.84% during FY14, reaching Rs 241 billion at period end. Islamic income funds in the above mentioned categories increased by 4.92% during the year.

Open end equity funds (including capital protected, index tracker, and asset allocation) increased by 28.3% to reach Rs 152 billion compared to Rs 118 billion as at June 30, 2013. Islamic equity based funds, on the other hand, showed a significant growth of 64.9% in the year and stood at Rs. 33 billion.

Similarly, the size of Voluntary Pension funds also reached Rs 8.1 billion as at June 30, 2014, up 69.3% from June 2013. Islamic Pension Funds also witnessed a growth of 65.9% in the year to clock in at Rs 4.9 billion as on June 30, 2014, having market share of 60.6% in Voluntary Pension Schemes.

Al Meezan's market share in the overall mutual fund's industry stands at 14.0% as at June 30, 2014 while it represents 66.6% of the Islamic mutual funds industry. In Pension Funds, Al Meezan holds the largest pension funds' portfolio in the industry representing an overall market share of 35.6% while representing 58.7% of the Islamic Pension Funds in the industry.

The rise in equity funds in FY14 can be attributed to the favorable development on the economic side by the incumbent government. The positive policy making and implementation led to foreign confidence which eventually led to higher foreign inflows, leading the equity market to new highs. Coupled with a policy of monetary stagnation and or interest rate cuts, the growth in equity funds significantly surpassed income funds.

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 32.3%, while the debt and money market sub-funds provided annualized returns of 7.7% and 6.9% respectively. Detailed performance review for each sub fund is given as under:

Equity Sub Fund

For the year ended June 30, 2014 the equity sub fund earned a gross income of Rs. 411 million, as compared to Rs. 300 million in 2013. The main contributors to the income were realized gains on sale of equity securities of Rs. 64 million, unrealized gains of Rs. 209 million and dividend income of Rs. 49 million. After accounting for expenses of Rs. 34 million, equity sub fund recorded a net profit of Rs. 377 million as compared to Rs. 285 million in the previous year. The net assets of this sub fund stood at Rs.1,537 million as at June 30, 2014, showing a growth of 91% during the period under review. During the year, the net asset value (NAV) per unit increased from Rs. 248.56 to Rs. 329.21, thus showing return of 32.3%.

Debt Sub Fund

For the year under review, the debt sub fund earned gross income of Rs. 92 million, as compared to Rs. 58 million in corresponding period last year. The main contributor to this income was profit on sukuk certificates worth Rs. 52 million. After accounting for expenses of Rs. 19 million, the debt sub fund recorded a net profit of Rs. 74 million. The net assets of the fund appreciated by 64% during the year and stood at Rs.1,047 million as on June 30, 2014. The net asset value (NAV) of the fund closed at Rs. 183.87 per unit as on June 30, 2014, thus providing an annualized return of 7.7%.

Money Market Sub Fund

The money market sub fund recorded gross income of Rs.26 million for the fiscal year 14 as compared to Rs. 27 million in corresponding period last year. Main contribution was from profit on bank deposits which contributed Rs. 9 million and profit on sukuk certificates worth Rs. 16 million to the overall income. The fund recorded net profit of Rs.19 million, after accounting for expenses worth Rs. 7 million. The net assets of the fund depreciated by 1.16% during the year and stood at Rs. 299 million as on June 30, 2014. The net asset value (NAV) of the fund closed at Rs. 182.80 per unit as year end, thus providing an annualized return of 6.90%.

Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible has offered themselves as auditors of the collective investment schemes under management of Al Meezan for FY: 2013-14. The board of directors on recommendation of the audit committee has approved their appointment for all the collective investment schemes under management of Al Meezan for FY: 2014-15.

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, 2014 an amount of Rs. 0.866 million was accrued as charity payable.

Outlook

The current government has a clear cut mandate and with a simple majority in the national assembly, it is now in a better position to deliver on its manifesto. Right from the start, PML-N has undertaken some painful economic reforms, the pace of which has been affected due to an inevitable need of the government to focus on issues pertinent to external account. The government's efforts coupled with the IMF program helped the country in averting its balance of payment risk and achieve commendable improvement in macro indicators has strengthened the country's fiscal and economic profile. With the IMF hinting on the requirement of keeping interest rates elevated to support external account, monetary policy direction (which currently appears to be tilted towards monetary easing) will depend on further improvement in the current forex reserves position which has been largely supported by materialization of expected inflows such as issuance of euro bond, timely release of CSF payments and committed flows from other lenders. Moreover, proceeds realizations from 3G/4G auction have also provided further comfort to the external account. On local fronts, broadening of tax revenue (SRO's removal) and restructuring/privatization of State Owned Enterprises (SOEs) are challenges in the near term that the government will need to tackle to reduce fiscal deficit and divert funds to more productive developments.

We expect the government to focus more on infusing economic growth, improving transparency and bring about administrative efficiencies. Resultantly the stock market is also expected to gain on the back of a positive economic outlook, stable government with a focus on good governance and attractive valuations of fundamentally strong scrips.

The KSE-100 index is expected to consolidate at current levels; the index is currently trading at a PER of 8.1x, with FY'15 earnings growth of 16%. Following improved economic statistics, the potential of Pakistan's higher weight age in the MSCI Frontier Market (FM) index is expected to create positive vibes in the market and sustain positive momentum.

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 unit holders 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

Mohammad Shoaib, CFA
Chief Executive

Date: August 28, 2014
Karachi.

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
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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, 2014 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 19, 2014



Meezan Bank
The Premier Islamic Bank

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

August 28, 2014/ Zul Qad 02, 1435

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, 2014 and their evaluation according to the screening criteria established by us. (December 31, 2013 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-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 Co Ltd	Cement Manufacturer	14.08	30.26	4.88	65.24	17.19	85.73
Pak Oilfields	Exploration and Production of Oil & Gas	0.00	0.00	0.01	0.75	-30.43	497.71
Pakistan Petroleum	Exploration and Production of Oil & Gas	0.00	0.29	0.04	0.44	41.32	213.96
Lucky Cement	Cement Manufacturer	12.13	0.06	0.01	79.80	-42.49	299.87



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Nishat Mills Ltd	Manufacturer of Textile products	27.32	19.71	1.00	67.15	-4.22	127.24
Pakistan State Oil Company Limited	Distribution of Oil & Gas	27.06	12.74	1.05	31.51	-136.47	332.22
Packages Ltd	General Industries	14.18	17.00	2.97	71.40	41.52	272.63
The Hub Power Co. Ltd	Power Generation and Distribution	33.01	0.00	0.09	51.76	-35.00	60.72
Oil and Gas Development Co.***	Distribution of Oil & Gas	0.00	41.49	6.01	34.65	44.55	276.36
ICI Pakistan Ltd	Manufacturer of Chemical Products	8.60	0.00	0.00	74.00	-58.06	253.02

* 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.

** All interest based debts.


*** On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and 'Non Compliant Investments to Total Investments' ratio.

- ii. On the basis of information provided by the management, all operations of MTPF for the year ended June 30, 2014 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 0.866 million was created and an amount of Rupees 1.05 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

Independent 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) Statement of Comprehensive income;
- iv) Cash Flow Statement; and
- v) Statement of Movement in Participants, Fund

of **Meezan Tahaffuz Pension Fund ("the fund")** as at 30 June 2014 and for the year then ended together with the notes forming part thereof.

It is the responsibility of the Pension Fund Manager to establish and maintain a system of internal controls; and prepare and present the financial statements of the Pension Fund in conformity with the Approved Accounting Standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:


- (a) the financial statements as at 30 June 2014 and for the year then ended have been properly drawn in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines there under;
- (b) the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with 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) the financial statements prepared are in agreement with the pension fund's books and records;
- (f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- (g) Zakat deductible at source under the Zakat and Usher Ordinance, 1980 was deducted by the Fund and deposited in the Central Zakat Fund established under Section 7 of the Ordinance.

The financial statements of the Fund for the year ended 30 June 2013 were audited by another firm of Chartered Accountants, who vide their report dated 23 August 2013, addressed to the Participant holders, had expressed an unmodified opinion thereon.

Date: 28 August 2014

Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

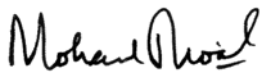
BALANCE SHEET

AS AT JUNE 30, 2014

	Note	2014				2013
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
----- (Rupees in '000) -----						
Assets						
Balances with banks	4	104,347	100,779	76,133	281,259	204,974
Investments	5	1,426,835	942,434	222,062	2,591,331	1,544,742
Receivable against sale of investments		26,342	-	-	26,342	-
Dividend receivable		1,223	-	-	1,223	465
Profit receivable	6	1,570	13,799	3,764	19,133	21,197
Deposit with Central Depository Company of Pakistan Limited (CDC) - Trustee		100	100	100	300	300
Total assets		1,560,417	1,057,112	302,059	2,919,588	1,771,678
Liabilities						
Payable against purchase of investments		-	-	-	-	14,985
Payable to Al Meezan Investment Management Limited (Al Meezan) - pension fund manager	7	4,650	3,262	1,042	8,954	2,545
Payable to CDC - Trustee	8	143	94	27	264	186
Payable to auditors	13	67	67	67	201	185
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	357	262	94	713	394
Payable against withdrawal		5,262	4,174	1,084	10,520	289
Accrued expenses and other liabilities	10	12,905	2,086	619	15,610	5,758
Total liabilities		23,384	9,945	2,933	36,262	24,342
Net assets		1,537,033	1,047,167	299,126	2,883,326	1,747,336
Contingencies and commitments	11					
Participants' sub-funds (as per statement attached)		1,537,033	1,047,167	299,126	2,883,326	1,747,336
----- (Number of units) -----						
Number of units in issue (as per statement attached)		4,668,921	5,695,017	1,636,351		
----- (Rupees) -----						
Net assets value per unit		329.21	183.87	182.80		

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

For Al Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

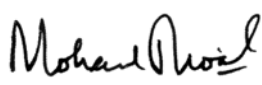
INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014				2013
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
(Rupees in '000)						
Income						
Profit from sukuk certificates		-	51,853	15,664	67,517	52,298
Profit on saving accounts with banks		7,659	17,696	8,875	34,230	18,048
Dividend income		49,275	-	-	49,275	28,728
Unrealised gain on re-measurement of investments at fair value through profit or loss (net)		208,999	5,949	867	215,815	167,224
Net realised gain on sale of investments		63,710	1,442	865	66,017	31,715
Provision against sukuk certificates		-	(1,271)	(779)	(2,050)	-
Total income		329,643	75,669	25,492	430,804	298,013
Expenses						
Remuneration of Al Meezan- pension fund manager	7.1	16,057	11,773	4,229	32,059	17,689
Sales tax and federal excise duty on management fee	7.2 & 7.3	5,479	4,006	1,439	10,924	3,045
Remuneration of CDC - Trustee of the fund	8	1,309	969	349	2,627	1,674
Annual fee to SECP	9	357	262	94	713	393
Auditors' remuneration	13	120	120	120	360	305
Amortisation of Premium		-	40	26	66	-
Brokerage		2,184	64	53	2,301	1,028
Settlement and Bank charges		61	29	24	114	84
Charity Expense		866	-	-	866	536
Provision for Workers' Welfare Fund	12	7,684	1,503	394	9,581	4,978
Total expenses		34,117	18,766	6,728	59,611	29,732
Net income from operating activities		295,526	56,903	18,764	371,193	268,281
Element of income and capital gains included in prices of units issued less those in units redeemed - net						
		80,988	16,724	531	98,243	87,636
Net income for the year		376,514	73,627	19,295	469,436	355,917
Taxation	20	-	-	-	-	-
Net income for the year after taxation		376,514	73,627	19,295	469,436	355,917
Other comprehensive income for the year						
Items that can be reclassified to income statement in subsequent periods						
Net unrealised appreciation on re-measurement of investment classified as 'available for sale'	5.4.1	-	1,227	-	1,227	-
Total comprehensive income for the year		376,514	74,854	19,295	470,663	355,917

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

For Al Meezan Investment Management Limited (Pension Fund Manager)


Mohammad Shoab, CFA
 Chief Executive


Syed Amir Ali Zaidi
 Director


CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014				2013
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	(Rupees in '000)				
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the year	376,514	73,627	19,295	469,436	355,917
Adjustments for:					
Unrealised gain on re-measurement of investments at 'fair value through profit or loss'	(208,999)	(5,949)	(867)	(215,815)	(167,224)
Provision against sukuk certificates	-	1,271	779	2,050	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(80,988)	(16,724)	(531)	(98,243)	(87,636)
	86,527	52,225	18,676	157,428	101,057
(Increase) / decrease in assets					
Investments (net)	(510,273)	(393,364)	45,698	(857,939)	(632,171)
Dividend receivable	(758)	-	-	(758)	30
Deposit and other receivables	286	(1,287)	3,065	2,064	(8,907)
	(510,745)	(394,651)	48,763	(856,633)	(641,048)
(Decrease) / increase in liabilities					
Payable against purchase of investments	(14,972)	(9)	(4)	(14,985)	9,851
Payable to Al Meezan - pension fund manager	3,468	2,347	594	6,409	1,120
Payable to CDC - trustee of the Fund	50	32	(4)	78	98
Payable to SECP	195	114	10	319	219
Accrued expenses and other liabilities	7,956	1,511	401	9,868	3,831
	(3,303)	3,995	997	1,689	15,119
Net cash (used in) / inflow from operating activities	(427,521)	(338,431)	68,436	(697,516)	(524,872)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipts of contribution	697,392	588,187	205,019	1,490,598	1,035,437
Payment on withdrawal	(255,073)	(235,384)	(226,340)	(716,797)	(423,932)
Net cash inflow from / (used in) financing activities	442,319	352,803	(21,321)	773,801	611,505
Net increase in cash and cash equivalents during the year	14,798	14,372	47,115	76,285	86,633
Cash and cash equivalents at beginning of the year	89,549	86,407	29,018	204,974	118,341
Cash and cash equivalents at end of the year	104,347	100,779	76,133	281,259	204,974

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

For Al Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


MOVEMENT IN PARTICIPANTS' SUB FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	2014				2013
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	(Rupees in '000)				
Net assets at beginning of the year	804,440	640,260	302,636	1,747,336	867,550
Amount received on issue of units (2014: Equity sub fund: 2,303,817 Debt sub fund: 3,276,636 units; Money market sub fund: 1,149,015 units) (2013: Equity sub fund: 1,931,420 units; Debt sub fund: 2,707,672 units; Money market sub fund: 939,081 units)	697,392	588,187	205,019	1,490,598	1,035,437
Amount paid on redemption of units (2014: Equity sub fund: 871,253 units; Debt sub fund: 1,333,214 units; Money market sub fund: 1,282,372 units) (2013: Equity sub fund: 717,342 units; Debt sub fund: 1,063,874 units; Money market sub fund: 498,079 units)	(260,325) 437,067	(239,410) 348,777	(227,293) (22,274)	(727,028) 763,570	(423,932) 611,505
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(80,988)	(16,724)	(531)	(98,243)	(87,636)
Net realised gain on sale of investments	63,710	1,442	865	66,017	31,715
Unrealised gain on re-measurement of investments at 'fair value through profit or loss' (net)	208,999	5,949	867	215,815	167,224
Other net comprehensive income for the year	103,805	67,463	17,563	188,831	156,978
Total comprehensive income for the year	376,514	74,854	19,295	470,663	355,917
Net assets at end of the year	<u>1,537,033</u>	<u>1,047,167</u>	<u>299,126</u>	<u>2,883,326</u>	<u>1,747,336</u>

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

For Al Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


CONTRIBUTION TABLE

FOR THE YEAR ENDED JUNE 30, 2014

Contributions net of front end fee received during the year	2014						2013	
	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund		Total (Rupees in '000)	Total (Rupees in '000)
	Units	Rs in '000	Units	Rs in '000	Units	Rs in '000		
Individuals - issue of units	<u>2,303,817</u>	<u>697,392</u>	<u>3,276,636</u>	<u>588,187</u>	<u>1,149,015</u>	<u>205,019</u>	<u>1,490,598</u>	<u>1,035,437</u>

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

For Al Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoaib, CFA
 Chief Executive


Syed Amir Ali Zaidi
 Director

NUMBER OF UNITS IN ISSUE


FOR THE YEAR ENDED JUNE 30, 2014

	2014		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
	-----Number of units-----		
Total units outstanding at beginning of the year	3,236,357	3,751,595	1,769,708
Add: Units issued / converted / reallocated during the year	2,303,817	3,276,636	1,149,015
Less: Units redeemed / converted / reallocated during the year	(871,253)	(1,333,214)	(1,282,372)
Total units in issue at the end of the year	4,668,921	5,695,017	1,636,351

	2013		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
	-----Number of units-----		
Total units outstanding at 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	3,236,357	3,751,595	1,769,708

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

For Al Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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 at Ground Floor, Block B Finance and Trade Centre Sharah-e-Faisal, Karachi 74400, 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 minimization 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 participants.

2. BASIS OF PRESENTATION

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.

2.1 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 VPS Rules and directives issued by the SECP.

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

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except that investments

classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

2.4 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 its judgement in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Impairment of financial instruments (note 3.1.6); and
- c) Recognition of provision for Workers' Welfare Fund (note 12).

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments

add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions - a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a fund can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
 - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
 - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- These interpretations will not likely have an impact on Fund's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

3.1 Financial instruments

3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, 'at fair value through profit or loss', 'held to maturity' and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets in accordance with the requirement of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

(a) Financial instruments as 'at fair value through profit or loss'

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

(b) Held to maturity

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

(c) Loans and receivables

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

(d) Available for sale

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned in (a) to (c) above.

3.1.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the fund commits to purchase or sell assets.

3.1.3 Recognition

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

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

3.1.4 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. The 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 transferred to Income Statement through other comprehensive income.

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

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

3.1.5 Fair value measurement principles

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in Circular No.1 of 2009 dated January 6, 2009 and CircularNo.33 of 2012 dated October 24, 2012 issued by the SECP. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the circular and subsequent clarification thereon. Additional provision may be recognised when there is objective evidence of the continuity of non-performance. Further the reversal of provisions are also made in accordance with the said circulars and subsequent clarifications.

Basis of valuation of government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system which are based on the remaining tenor of the securities.

Basis of valuation of equity securities:

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

3.1.6 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 investment classified as 'available for sale' equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. Impairment loss on investment is recognised in the Income Statement whenever the acquisition cost of investment exceeds its recoverable amount. Impairment losses recognised on equity securities in the income statement are not reversed subsequently in the Income Statement.

Impairment loss on investment classified as 'available for sale' debt securities is recognised in the Income Statement whenever the acquisition cost of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed in the Income Statement.

3.1.7 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows 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.

3.2 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.

3.3 Issue, allocation, reallocation and redemption of units

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

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

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

3.4 Offsetting of financial instruments

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

3.5 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.

3.6 Net assets value per unit of each sub-fund

The net assets value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of each sub-fund by the number of units in issue at year end.

3.7 Taxation

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. Accordingly, no provision has been made for current and deferred taxation in these financial statements.

3.8 Zakat payable

Zakat payment is the responsibility of each participants. 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.

3.9 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently on the date when the transaction takes place.
- (ii) Dividend income is recognised when the Fund's right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (iii) Profit on bank deposit is recognised on time proportion basis using effective yield method.
- (iv) Income on sukuk certificates, placements and government securities is recognised on time proportion basis using the effective yield except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by SECP for which the profits are recorded on cash basis.

3.10 Expenses

All expenses, including Management fee, Trustee fee and Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement as and when incurred.

3.11 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, the determination of weighted average units for calculating EPU is not practicable.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. Cash comprises current and saving 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.

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

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

The 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 participants' funds in a separate account. 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.

3.14 Distribution

Distribution of dividend or bonus units is not allowed under the VPS Rules 2005.

4. BALANCES WITH BANKS

2014				2013
Equity sub fund	Debt sub fund	Money Market sub fund	Total	Total

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

On Current accounts		837	-	-	837	547
On Saving accounts	4.1	103,510	100,779	76,133	280,422	204,427
		<u>104,347</u>	<u>100,779</u>	<u>76,133</u>	<u>281,259</u>	<u>204,974</u>

4.1 The balances in saving accounts have an expected profit which ranges from 3.72% to 9.20% (2013: 5.28% to 9.05%) per annum.

5. INVESTMENTS

2014				2013
Equity sub fund	Debt sub fund	Money Market sub fund	Total	Total

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

Held-for-trading						
- shares of listed companies	5.1	1,426,835	-	-	1,426,835	733,905
- sukuk certificates	5.2	-	865,964	222,062	1,088,026	776,470
		<u>1,426,835</u>	<u>865,964</u>	<u>222,062</u>	<u>2,514,861</u>	<u>1,510,375</u>
Investments designated at fair value through profit or loss upon initial recognition						
	5.3	-	-	-	-	1,349
Available-for-sale						
- sukuk certificates	5.4	-	76,470	-	76,470	33,018
		<u>1,426,835</u>	<u>942,434</u>	<u>222,062</u>	<u>2,591,331</u>	<u>1,544,742</u>

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

Name of the investee company	As at July 1, 2013	Purchase during the year	Cost of purchase	Bonus / right issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss)	Percentage of net assets on the basis of market value of the respective sub fund(see note 5.1.2)	Percentage of paid-up capital of investee company
	Number of shares		Rs in '000	---Number of shares---		----Rupees in '000----					
Equity Sub Fund											
Sector/ Companies											
Automobile and parts											
Agriauto Industries Limited (note 5.1.1)	45,000	-	-	-	-	45,000	3,381	4,343	962	0.28	0.31
Indus Motor Company Limited	20,655	-	-	-	-	20,655	6,424	11,111	4,687	0.72	0.03
Pak Suzuki Motor Company Limited	60,733	65,000	11,787	-	10,000	115,733	19,309	31,698	12,389	2.06	0.14
Chemicals											
Fauji Fertilizer Bin Qasim Limited	603,951	100,000	3,810	-	200,000	503,951	18,974	20,042	1,068	1.30	0.05
Fauji Fertilizer Company Limited	408,198	198,000	22,316	-	354,000	252,198	27,809	28,309	500	1.84	0.02
ICI Pakistan Limited	1,970	247,600	63,319	-	82,000	167,570	42,820	65,409	22,589	4.26	0.18
Construction and materials (Cement)											
DG Khan Cement Company Limited	796,397	451,500	36,719	-	164,000	1,083,897	89,787	95,340	5,553	6.20	0.25
Lucky Cement Limited	254,006	96,000	26,420	-	38,000	312,006	71,622	128,016	56,394	8.33	0.10
Fauji Cement Company Ltd.	-	2,415,000	38,496	-	250,000	2,165,000	35,215	41,655	6,440	2.71	0.16
Cherat Cement Company Limited	-	125,000	10,690	12,500	-	137,500	10,690	9,001	(1,689)	0.59	0.13
Pioneer Cement Company Limited	-	142,000	6,674	-	-	142,000	6,674	6,626	(48)	0.43	0.06
Electricity											
The Hub Power Company Limited	1,153,745	3,112,000	179,871	-	2,530,000	1,735,745	101,351	101,958	607	6.63	0.15
Kohinoor Energy Limited	75,000	90,000	3,097	-	10,000	155,000	5,535	6,420	885	0.42	0.09
Pakgen Power Limited	-	676,000	13,553	-	500,000	176,000	3,053	3,175	122	0.21	0.05
K-Electric Limited (formerly Karachi Electric Supply Company Limited)	-	2,840,000	25,635	-	-	2,840,000	25,635	24,112	(1,523)	1.57	0.03
Fixed line telecommunication											
Pakistan Telecommunication Company Limited "A"	921,700	1,318,000	36,381	-	351,500	1,888,200	48,639	48,092	(547)	3.13	0.05
Food producers											
Engro Foods Limited	439,300	1,377,000	143,173	-	1,561,700	254,600	26,186	26,104	(82)	1.70	0.03
General industrials											
Packages Limited	197,851	987,400	487,208	-	975,000	210,251	99,145	105,456	6,311	6.86	0.25
Thal Limited (note 5.1.1)	43,645	-	-	-	15,000	28,645	3,652	5,941	2,289	0.39	0.07
Tri-Pack Films Limited	26,187	-	-	-	26,187	-	-	-	-	-	-
Oil and gas											
National Refinery Limited	-	127,100	26,988	-	45,100	82,000	17,969	17,660	(309)	1.15	0.10
Oil and Gas Development Company Limited	312,716	123,300	31,157	-	-	436,016	102,691	113,922	11,231	7.41	0.01
Pakistan Oilfields Limited	107,050	93,000	49,241	-	-	200,050	102,485	114,889	12,404	7.47	0.08
Pakistan Petroleum Limited	331,381	65,000	15,469	68,076	120,000	344,457	63,471	77,275	13,804	5.03	0.02
Pakistan State Oil Company Limited	197,467	132,700	46,501	29,366	-	359,533	109,765	139,804	30,039	9.10	0.13
Attock Petroleum Limited	19,100	19,000	10,335	3,820	-	41,920	21,053	24,726	3,673	1.61	0.05
Attock Refinery Limited	-	31,500	6,323	-	30,000	1,500	301	318	17	0.02	-
Mari Petroleum Company Limited	-	100,000	34,699	-	-	100,000	34,699	37,343	2,644	2.43	0.11
Personal Goods (Textile)											
Nishat Mills Limited	488,000	241,000	26,420	-	59,000	670,000	66,814	74,986	8,172	4.88	0.19
Pharma and bio tech											
Abbott Laboratories (Pakistan) Limited	6,600	58,000	24,895	-	-	64,600	27,060	36,972	9,912	2.41	0.07
Ferozsons Laboratories Limited	-	35,000	6,067	-	-	35,000	6,067	8,066	1,999	0.52	0.12
Engineering											
K.S.B Pumps Company	-	47,000	5,077	-	-	47,000	5,077	3,910	(1,167)	0.25	0.36
Multiutilities (Gas and Water)											
Sui Northern Gas Pipelines Limited	-	625,000	14,483	-	-	625,000	14,483	14,156	(327)	0.92	0.10
Total			1,406,804				1,217,836	1,426,835	208,999		

5.1.1 All shares have a nominal value of Rs.10 each except Agriauto Industries Limited and Thal Limited having nominal value of Rs.5.

5.1.2 Net assets value is as defined in Rule 2(1)(m) of VPS Rules.

5.2 'Held-for-trading' - sukuk certificates

Name of the security	Maturity date	Profit rate per annum	As at July 1, 2013	Purchase during the period	Cost of purchase	Sales during the year	Maturity during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 5.1.2)
			Number of certificates	Rupees in '000	Rupees in '000	Number of certificates	Rupees in '000	Rupees in '000	%			
Debt Sub Fund												
GoP - Ijara sukuk - V	November 15, 2013	Weighted average 6 months T-Bills	135	-	-	-	135	-	-	-	-	-
GoP - Ijara sukuk - VI	December 20, 2013	Weighted average 6 months T-Bills	30	-	-	-	30	-	-	-	-	-
GoP - Ijara sukuk - VII	March 07, 2014	Weighted average 6 months T-Bills	50	-	-	-	50	-	-	-	-	-
GoP - Ijara sukuk - VIII	May 16, 2014	Weighted average 6 months T-Bills	130	515	51,520	-	645	-	-	-	-	-
GoP - Ijara sukuk - IX (note 5.2.1)	December 26, 2014	Weighted average 6 months T-Bills	290	2,300	233,220	-	-	2,590	262,220	262,315	95	25.05
GoP - Ijara sukuk - X (note 5.2.1)	March 02, 2015	Weighted average 6 months T-Bills	740	698	70,058	-	-	1,438	144,057	146,618	2,561	14.00
GoP - Ijara sukuk - XI (note 5.2.1)	April 30, 2015	Weighted average 6 months T-Bills	600	-	-	-	-	600	60,000	61,314	1,314	5.86
GoP - Ijara sukuk - XII (note 5.2.1)	June 28, 2015	Weighted average 6 months T-Bills	500	350	35,438	-	-	850	85,438	87,406	1,968	8.35
GoP - Ijara sukuk - XIII	September 18, 2015	Weighted average 6 months T-Bills	1,306	-	-	1,306	-	-	-	-	-	-
GoP - Ijara sukuk XIV (note 5.2.1)	March 28, 2016	Weighted average 6 months T-Bills	1,390	-	-	1,387	-	3	300	311	11	0.03
GoP - Ijara sukuk XV (note 5.2.1)	June 25, 2017	Weighted average 6 months T-Bills	-	3,080	308,000	-	-	3,080	308,000	308,000	-	29.41
					<u>698,236</u>				<u>860,015</u>	<u>865,964</u>	<u>5,949</u>	
Money Market Sub Fund												
GoP - Ijara sukuk - V	November 15, 2013	Weighted average 6 months T-Bills	1,760	-	-	1,760	-	-	-	-	-	-
GoP - Ijara sukuk - VI	December 20, 2013	Weighted average 6 months T-Bills	-	1,500	150,000	-	1,500	-	-	-	-	-
GoP - Ijara sukuk - VII	March 07, 2014	Weighted average 6 months T-Bills	300	-	-	-	300	-	-	-	-	-
GoP - Ijara sukuk - IX (note 5.2.1)	December 26, 2014	Weighted average 6 months T-Bills	-	1,400	141,920	200	-	1,200	121,680	121,536	(144)	40.63
GoP - Ijara sukuk - X (note 5.2.1)	March 02, 2015	Weighted average 6 months T-Bills	180	1,000	100,100	1,000	-	180	18,015	18,353	338	6.14
GoP - Ijara sukuk - XI (note 5.2.1)	April 30, 2015	Weighted average 6 months T-Bills	120	-	-	-	-	120	12,000	12,263	263	4.10
GoP - Ijara sukuk - XII (note 5.2.1)	June 28, 2015	Weighted average 6 months T-Bills	145	-	-	-	-	145	14,500	14,910	410	4.98
GoP - Ijara sukuk - XIII	September 18, 2015	Weighted average 6 months T-Bills	88	-	-	88	-	-	-	-	-	-
GoP - Ijara sukuk XV (note 5.2.1)	June 25, 2017	Weighted average 6 months T-Bills	-	550	55,000	-	-	550	55,000	55,000	-	18.39
					<u>392,020</u>				<u>221,195</u>	<u>222,062</u>	<u>867</u>	

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

5.2.2 In the month of September 2013, GoP Ijarah Sukuks have been revalued at their market values disclosed in PKISRV. Previously, they were stated at amortised cost. The change was made in accordance with Circular No. SCD/AMCW/716/2013 dated 19 September 2013 issued by the Securities and Exchange Commission of Pakistan.

5.3 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, 2013	Purchase during the period	Cost of purchase	Sales during the year	Redemptions during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss)	Percentage of net assets on the basis of market value (see note 5.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000	%					

Debt Sub Fund

Eden Housing Limited (note 5.3.1)	September 29, 2014	3 months Kibor plus base rate of 2.5%	-	-	-	-	500	-	-	-	-	-
Security Leasing Corporation Limited II (note 5.3.2)	January 19, 2022	-	174	-	-	-	18	156	-	-	-	-

Money Market Sub Fund

Security Leasing Corporation Limited II (note 5.3.2)	January 19, 2022	-	174	-	-	-	18	156	-	-	-	-
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5.3.1 The principal buy out reduces the face value per certificate instead of number of certificates. The face value of the sukuk certificates is Rs.984.38 each.

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

5.3.3 Provision on sukuk certificates

	June 30, 2014	June 30, 2013
	(Rupees in '000)	
Debt Sub Fund		
Opening	-	-
Provision for the period against Sukuk certificates - net	1,271	-
Closing	1,271	-
Money Market Sub Fund		
Opening	-	-
Provision for the period against Sukuk certificates - net	779	-
Closing	779	-

5.4 'Available-for-sale' - sukuk certificates

Name of the security	Maturity date	Profit rate per annum	As at July 1, 2013	Purchase during the period	Cost of purchase	Sales during the year	Redemptions during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014 (note 5.2.2)	Unrealised gain	Percentage of net assets on the basis of market value (see note 5.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000	%					

Debt Sub Fund

GoP - Ijara sukuk - V	November 15, 2033	Weighted average 6 months T-Bills	-	100	10,007	-	100	-	-	-	-	-
GoP - Ijara sukuk - VI	December 20, 2013	Weighted average 6 months T-Bills	80	-	-	-	80	-	-	-	-	-
GoP - Ijara sukuk - VIII	May 16, 2014	Weighted average 6 months T-Bills	170	170	17,012	170	170	-	-	-	-	-
GoP - Ijara sukuk - X (note 5.2.1)	March 02, 2015	Weighted average 6 months T-Bills	-	1,500	150,243	750	-	750	75,243	76,470	1,227	7.30
GoP - Ijara sukuk - XIII	September 18, 2015	Weighted average 6 months T-Bills	-	1,000	99,985	1,000	-	-	-	-	-	-
					277,247				75,243	76,470	1,227	

Money Market Sub Fund

GoP - Ijara sukuk - V	November 15, 2013	Weighted average 6 months T-Bills	-	400	40,026	-	400	-	-	-	-	-
GoP - Ijara sukuk - VI	December 20, 2013	Weighted average 6 months T-Bills	80	-	-	-	80	-	-	-	-	-
					40,026				-	-	-	

5.4.1 Net unrealised appreciation on re-measurement of investment classified as 'available for sale'

	June 30, 2014	June 30, 2013
	(Rupees in '000)	
Debt Sub Fund		
Market value of investments *	76,470	25,018
Less: Cost of investments *	75,243	25,018
	1,227	-
Less: Net unrealised diminution on re-measurement of investments classified as 'available for sale' at beginning of the year	-	-
	1,227	-

	June 30, 2014	June 30, 2013
Money Market Sub Fund		
Market value of investments *	-	8,000
Less: Cost of investments *	-	8,000
	-	-
Less: Net unrealised diminution on re-measurement of investments classified as 'available for sale' at beginning of the year	-	-
	-	-
	-	-

* GoP Ijarah Sukuk have been carried at cost in the year 2013

6. PROFIT RECEIVABLE

Note	2014				2013 Total
	Equity sub fund	Debt sub fund	Money Market sub fund	Total	
	----- (Rupees in '000) -----				
Profit receivable on					
- saving accounts with banks	1,570	4,710	2,717	8,997	6,441
- sukuk certificates	-	9,089	1,047	10,136	14,756
	<u>1,570</u>	<u>13,799</u>	<u>3,764</u>	<u>19,133</u>	<u>21,197</u>

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

Management remuneration	7.1	1,811	1,196	348	3,355	2,010
Sindh Sales tax and federal excise duty on management fee	7.2& 7.3	2,839	2,066	694	5,599	535
		<u>4,650</u>	<u>3,262</u>	<u>1,042</u>	<u>8,954</u>	<u>2,545</u>

- 7.1** 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 period for determining the net asset value of the units of the sub-funds.
- 7.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the pension fund manager and sales load through Sindh Sales Tax on Services Act, 2011, effective from July 01, 2011.
- 7.3** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the pension fund manager has been applied effective from June 13, 2013. The pension fund manager is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan (MUFAP) and the Honourable High Court Sindh in a Constitutional petition relating to levy of Federal Excise Duty (FED) on Mutual Fund has granted stay order for the recovery of Federal Excise Duty (FED). As a matter of abundant caution, the pension fund manager has made a provision with effect from June 13, 2013, aggregating to Rs. 2.549 million, Rs. 1.875 million and 0.639 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively. Had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2014 would have been higher by Rs. 0.55 per unit, Rs. 0.33 per unit and Rs. 0.39 per unit for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

8. 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.

9. 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.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2014			2013
		Equity sub fund	Debt sub fund	Money Market sub fund	Total
		(Rupees in '000)			
Charity payable		1,046	-	-	1,046
Brokerage Payable		-	4	1	5
Provision for Workers' Welfare Fund	12	11,859	2,082	618	14,559
		<u>12,905</u>	<u>2,086</u>	<u>619</u>	<u>15,610</u>
					<u>5,758</u>

11. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2014.

12. WORKERS' WELFARE FUND (WWF)

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, during the year ended June 30, 2010, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

In 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 declared the said amendments as unlawful and unconstitutional. In March 2013 a large bench of Sindh High Court (SHC) in various Constitutional Petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honorable High Court of Sindh has not addressed the other amendments made in WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, the Pension Fund Manager / Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2014 amounting to Rs. 11.858 million, Rs. 2.083 million and Rs. 0.618 million which includes Rs. 7.684 million, Rs. 1.503 million and Rs. 0.394 million pertaining to the current financial period and Rs. 4.174 million, Rs. 0.580 million and Rs. 0.224 million pertaining to prior period for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 2.54 (0.77%), Rs. 0.37 (0.20%) and Rs. 0.38 (0.21%) for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

The Board of Directors of the Pension Fund Manager in its meeting held on October 25, 2013 have resolved that unrecorded accumulated WWF provision in the fund from the date of its application till December 31, 2012, in case is required to be paid, shall be borne by Al Meezan Investment Management Limited (pension fund manager of the fund). Therefore, the Fund is not exposed to this unrecorded accumulated WWF provision. The unrecorded accumulated provision for WWF upto December 31, 2012 is 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.

13. AUDITORS' REMUNERATION

	2014				2013 Total
	Equity sub fund	Debt sub fund	Money Market sub fund	Total	
	(Rupees in '000)				
Statutory audit fee	67	67	67	201	185
Half yearly review	36	37	37	110	100
Out of pocket expenses	17	16	16	49	20
	<u>120</u>	<u>120</u>	<u>120</u>	<u>360</u>	<u>305</u>

14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited (Al Meezan) being the Pension Fund Manager, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Pension Fund Manager and Meezan Islamic Fund, Al Meezan Mutual Fund, KSE Meezan Index Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Capital Protected Fund - II, Meezan Financial Planning Fund of Funds, Meezan Balanced Fund, Meezan Capital Preservation Fund – III and Meezan Capital Preservation Fund – II, being the Funds under the common management of the Pension Fund Manager, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Pension Fund Manager, Directors and executives of the pension fund manager and Al Meezan Investment Management Limited - Employees Gratuity Fund and participant / unit holder holding 10% or more of the sub Fund.

Remuneration payable to the pension fund manager and the trustee is determined in accordance with the provisions of VPS Rules 2005 and the trust deed respectively. Transactions with connected persons / related parties are in normal course of business at contracted rates and terms determined in accordance with market rates.

Details of transactions with connected persons and balances are as follows:

	2014				2013 Total
	Equity sub fund	Debt sub fund	Money Market sub fund	Total	
	(Rupees in '000)				
Investment by:					
Al Meezan - pension fund manager					
As at June 30, 2014 (Equity sub fund: 260,077 units; Debt sub fund: Nil units; Money market sub fund: Nil units) As at June 30, 2013 (Equity sub fund: 260,077 units; Debt sub fund: Nil units; Money market sub fund: 441,476 units)	85,620	-	-	85,620	140,142
	<u>85,620</u>	<u>-</u>	<u>-</u>	<u>85,620</u>	<u>140,142</u>
Directors and executives of the pension fund manager					
As at June 30, 2014 (Equity sub fund: 455,894 units; Debt sub fund: 389,120 units; Money market sub fund: 71,134 units) As at June 30, 2013 (Equity sub fund: 389,182 units; Debt sub fund: 289,108 units; Money market sub fund: 59,595 units)	150,085	71,548	13,003	234,636	156,278
	<u>150,085</u>	<u>71,548</u>	<u>13,003</u>	<u>234,636</u>	<u>156,278</u>
Participants holding 10% or more units of the Fund	-	-	-	-	50,856
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,856</u>
Directors and executives of the pension fund manager					
Units issued during the year (Equity sub fund: 109,232 units; Debt sub fund: 139,077 units; Money market sub fund: 34,465 units)	30,875	24,743	6,089	61,707	138,153
	<u>30,875</u>	<u>24,743</u>	<u>6,089</u>	<u>61,707</u>	<u>138,153</u>

Equity sub fund	2014			2013 Total
	Debt sub fund	Money Market sub fund	Total	

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

Units redeemed / reallocated during the year (Equity sub fund: 42,520 units; Debt sub fund: 39,065 units; Money market sub fund: 22,926 units)

<u>12,537</u>	<u>6,989</u>	<u>4,068</u>	<u>23,594</u>	<u>57,052</u>
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Al Meezan - pension fund manager

Units redeemed / reallocated during the year (Equity sub fund: Nil units; Debt sub fund: Nil units; Money market sub fund: 441,476 units)

<u>-</u>	<u>-</u>	<u>76,495</u>	<u>76,495</u>	<u>-</u>
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Al Meezan - Pension Fund Manager

Remuneration

Remuneration payable at beginning of the year

Remuneration for the year

Amount paid during the year

Balance at the end of the year

944	711	355	2,010	927
<u>16,057</u>	<u>11,773</u>	<u>4,229</u>	<u>32,059</u>	<u>17,689</u>
<u>17,001</u>	<u>12,484</u>	<u>4,584</u>	<u>34,069</u>	<u>18,967</u>
<u>(15,190)</u>	<u>(11,288)</u>	<u>(4,236)</u>	<u>(30,714)</u>	<u>(16,957)</u>
<u>1,811</u>	<u>1,196</u>	<u>348</u>	<u>3,355</u>	<u>2,010</u>

Sales tax and Federal Excise

Duty on management fee

Sales tax and federal excise duty payable at beginning of the year

Sales tax and federal excise duty for the year

Amount paid during the year

Balance at the end of the year

Total payable at the end of the year

238	204	93	535	147
<u>5,479</u>	<u>4,006</u>	<u>1,439</u>	<u>10,924</u>	<u>3,045</u>
<u>5,717</u>	<u>4,210</u>	<u>1,532</u>	<u>11,459</u>	<u>3,192</u>
<u>(2,878)</u>	<u>(2,144)</u>	<u>(838)</u>	<u>(5,860)</u>	<u>(2,657)</u>
<u>2,839</u>	<u>2,066</u>	<u>694</u>	<u>5,599</u>	<u>535</u>
<u>4,650</u>	<u>3,262</u>	<u>1,042</u>	<u>8,954</u>	<u>2,545</u>

Meezan Bank Limited

Bank balance

Profit on savings accounts

<u>59,090</u>	<u>55,252</u>	<u>17,142</u>	<u>131,484</u>	<u>7,044</u>
<u>2,226</u>	<u>3,635</u>	<u>2,059</u>	<u>7,920</u>	<u>538</u>

Central Depository Company of Pakistan

Limited - trustee of the Fund

Balance at the beginning of the year

Remuneration for the year

CDS charges for the year

Amount paid during the year

Balance at the end of the year

93	62	31	186	88
<u>1,309</u>	<u>969</u>	<u>349</u>	<u>2,627</u>	<u>1,674</u>
<u>42</u>	<u>6</u>	<u>6</u>	<u>54</u>	<u>34</u>
<u>1,444</u>	<u>1,037</u>	<u>386</u>	<u>2,867</u>	<u>1,796</u>
<u>(1,301)</u>	<u>(943)</u>	<u>(359)</u>	<u>(2,603)</u>	<u>(1,610)</u>
<u>143</u>	<u>94</u>	<u>27</u>	<u>264</u>	<u>186</u>

15. FINANCIAL INSTRUMENTS BY CATEGORY

2014				
Loans and receivables	Financial assets at 'fair value through	Financial assets at 'available-for-sale'	Financial liabilities measured at amortised cost	Total

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

Financial assets

Balances with banks	281,259	-	-	-	281,259
Investments	-	2,514,861	76,470	-	2,591,331
Receivable against sale of investments	26,342	-	-	-	26,342
Dividend receivable	1,223	-	-	-	1,223
Profit receivable	19,133	-	-	-	19,133
Deposit with CDC	300	-	-	-	300
	328,257	2,514,861	76,470	-	2,919,588

Financial liabilities

Payable to Al Meezan - pension fund manager	-	-	-	8,954	8,954
Payable to CDC - trustee of the Fund	-	-	-	264	264
Payable to auditors	-	-	-	201	201
Payable against withdrawal	-	-	-	10,520	10,520
Accrued expenses and other liabilities	-	-	-	1,051	1,051
	-	-	-	20,990	20,990

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

----- (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 purchased of investment	-	-	-	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
Payable against withdrawal	-	-	-	289	289
Accrued expenses and other liabilities	-	-	-	750	750
	-	-	-	18,940	18,940

16. 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:

16.1 Market risk

16.1.1 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 5 to these financial statements. At June 30 2014, 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.14.268 million (2013: Rs.7.339 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.

16.1.2 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.72.288 million (2013: approximately Rs.50.756 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.

16.1.3 Currency risk

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

16.2 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 sukus has been tabulated as follows:

	June 30, 2014		June 30, 2013	
	Debt sub	Money market sub fund	Debt sub	Money market sub fund
	----- (%) -----			
Government guaranteed	100.00	100.00	99.82	99.87
Non-rated	-	-	0.18	0.13
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. Further, all transactions in securities are settled through approved brokers, thus the risk of default is considered to be minimal. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors on a quarterly basis.

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

	2014	2013
	----- (%) -----	
AAA	32.77	0.75
AA+	7.34	75.89
AA	47.15	4.38
A	12.74	18.98
	<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, 2014 and 2013 is tabulated below:

	2014	2013
	(Rupees in '000)	
Financial assets		
Balances with banks	281,259	204,974
Investments at 'fair value through profit or loss'	-	1,349
Dividend receivable	1,223	465
Profit receivable	19,133	21,197
Deposit with CDC	300	300
	<u>301,915</u>	<u>228,285</u>

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

16.3 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 2005, 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 percent of the net assets value of the Fund. However, no such borrowing has been obtained during the year.

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.

In addition to participants' sub fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2014 and 2013 is tabulated below:

	2014				Total	2013 Total
	Maturity upto					
	Three months	Six months	One year	More than one year		
	----- (Rupees in '000) -----					
Payable against purchase of investments	-	-	-	-	-	14,985
Payable to Al Meezan Investment Management Limited - pension fund manager	8,954	-	-	-	8,954	2,545
Payable to CDC - trustee of the Fund	264	-	-	-	264	186
Payable to auditors	201	-	-	-	201	185
Payable against withdrawal	10,520	-	-	-	10,520	289
Accrued expenses and other liabilities	1,051	-	-	-	1,051	780
	<u>20,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,990</u>	<u>18,970</u>

	2013				Total	2012 Total
	Maturity upto					
	Three months	Six months	One year	More than one year		
	----- (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 to auditors	185	-	-	-	185	185
Payable against withdrawal	289	-	-	-	289	1,972
Charity payable	-	-	780	-	780	244
	<u>18,190</u>	<u>-</u>	<u>780</u>	<u>-</u>	<u>18,970</u>	<u>9,048</u>

17. PARTICIPANTS' FUND 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 17, 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.

18. 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.

Investments on the Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Level 2: Inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The following table presents the assets that are measured at fair value as at June 30, 2014:

	June 30, 2014		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Assets			
Financial assets 'held-for-trading'			
- Equity securities	1,426,835	-	-
- Debt securities	-	1,088,026	-
Financial assets designated at 'fair value through profit or loss at initial recognition'			
- Debt securities	-	-	-
Financial assets 'available-for-sale'			
- Debt securities	-	76,470	-
	<u>1,426,835</u>	<u>1,164,496</u>	<u>-</u>

The following table presents the assets that are measured at fair value as at June 30, 2013:

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

* GoP Ijarah Sukuks have been carried at cost in the year 2013

The following table presents the movement in level 3 instruments.

	2014	2013
	(Rupees in '000)	
Opening balance	1,349	2,250
Transfers into / (from) level 3	-	-
Sales / redemptions	(1,141)	(414)
Provisions	(2,050)	-
Gain / (loss) recognised in income statement	1,842	(487)
Closing balance	<u>-</u>	<u>1,349</u>

19. PERFORMANCE TABLE

	For the year ended June 30, 2014	For the year ended June 30, 2013	Percentage change	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010
	Rupees in '000'		%	----- (Rupees in '000) -----		
EQUITY SUB FUND						
Net income	376,514	285,228	32	46,534	47,708	19,739
Net realised gain on sale of investments	63,710	31,167	104	15,445	9,794	8,407
Unrealised gain on re-measurement of investments at 'fair value through profit or loss'	208,999	167,834	25	16,977	19,649	5,757
Dividend income	49,275	28,192	75	13,670	9,865	6,283
Profit on savings accounts with banks	7,659	2,825	171	1,602	1,461	841
Transactions in securities						
Purchases	1,406,804	460,631	205	162,340	89,938	55,620
Sales	1,917,077	204,999	835	83,483	44,418	38,240
Total contribution received	697,392	429,339	62	174,045	44,955	26,816
Total net assets value	1,537,033	804,440	91	324,443	179,133	103,889
	----- (Rupees) -----		(%)	----- (Rupees) -----		
Net assets value per unit	329.21	248.56	32	160.43	137.37	101.00

	For the year ended June 30, 2014	For the year ended June 30, 2013	Percentage change	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010
	Rupees in '000'		%	----- (Rupees in '000) -----		
DEBT SUB FUND						
Net income	74,854	48,871	53	28,758	21,303	11,424
Net realised gain / (loss) on sale of investments	1,442	516	179	(1,152)	597	687
Unrealised gain / (loss) on re-measurement of investments at 'fair value through profit or loss'	5,949	(273)	(2,279)	(24)	(1,094)	(892)
Profit on savings accounts with banks	17,696	5,098	247	3,638	2,632	1,982
Profit on placements	-	-	-	-	53	363
Profit on Sukuk Certificates	51,853	38,267	36	18,087	11,339	6,658
Transactions in securities						
Purchases	975,483	320,194	205	223,000	82,000	28,000
Sales	1,368,847	78,362	1,647	34,908	11,340	15,600
Total contribution received	588,187	450,163	31	202,012	37,623	22,142
Total net assets value	1,047,167	640,260	64	332,267	143,908	98,508
	----- (Rupees) -----		(%)	----- (Rupees) -----		
Net assets value per unit	183.87	170.66	8	157.64	143.98	129.86

For the year ended June 30, 2014	For the year ended June 30, 2013	Percentage change	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010
Rupees in '000'		%	----- (Rupees in '000) -----		

MONEY MARKET SUB FUND

Net income	19,295	21,818	(12)	20,836	11,256	6,807
Net realised gain / (loss) on sale of investments	865	32	2,603	480	117	5 1
Unrealised gain / (loss) on re-measurement of investments at 'fair value through profit or loss'	867	(337)	(357)	(9)	(59)	(270)
Profit on savings accounts with banks	8,875	10,125	(12)	4,110	5,271	3,572
Profit on placements	-	-	-	-	874	753
Profit on Sukuk Certificates	15,664	14,031	12	9,736	3,478	2,483
Transactions in securities						
Purchases	432,046	245,924	76	164,485	28,000	-
Sales	386,348	147,008	100	41,887	-	-
Total contribution received	205,019	155,935	31	112,772	12,417	7,735
Total net asset value	299,126	302,636	(1)	210,840	93,302	74,450

----- (Rupees) ----- (%) ----- (Rupees) -----

Net assets value per unit	182.80	171.01	7	158.68	143.00	129.14
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Equity sub fund		Debt sub fund		Money market sub fund		
Lowest issue price	Highest issue price	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price	
----- (Rupees) -----						
For the year ended June 30, 2014	244.28	332.93	170.75	183.87	171.10	182.80
For the year ended June 30, 2013	163.38	260.62	157.72	170.56	158.76	171.01

20. INCOME TAX

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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A (i) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.


21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 28, 2014 by the Board of Directors of the pension fund manager.

22. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

For Al Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

