

## CONTENTS

Fund Information.....	03
Directors' Report for Meezan Tahaffuz Pension Fund .....	04
Condensed Interim Statement of Assets and Liabilities .....	07
Condensed Interim Income Statement .....	08
Condensed Interim Cash Flow Statement.....	09
Condensed Interim Statement of Movement in Participant's Funds .....	10
Notes to the Condensed Interim Financial Statements .....	11



## FUND INFORMATION

### **PENSION FUND MANAGER**

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi 74400, Pakistan.  
Phone: (9221) 5630722-6, 111-MEEZAN  
Fax: (9221) 5676143, 5630808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

### **BOARD OF DIRECTORS OF THE PENSION FUND MANAGER**

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive
Mr. Najmul Hassan	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Muhammad Adrees	Director
Mr. Mazhar Sharif	Director
Syed Owais Wasti	Director

### **CFO & COMPANY SECRETARY OF THE PENSION FUND MANAGER**

Syed Owais Wasti

### **AUDIT COMMITTEE**

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

### **TRUSTEE**

Central Depository Company of Pakistan Limited  
Suite # M 13-16, Meezzanine Floor, Progressive Plaza,  
Beaumont Road, Karachi.

### **AUDITORS**

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

### **BANKERS TO THE FUND**

Meezan Bank Limited  
Al Baraka Islamic Bank B.S.C (E.C)  
Bank Alfalah Limited  
MCB Bank Limited

### **LEGAL ADVISER**

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

### **TRANSFER AGENT**

Meezan Bank Limited  
3<sup>rd</sup> Floor P.N.S.C. Building  
M.T. Khan Road  
Phone: (9221) 561 0582, 561 0417  
Fax: (9221) 561 1427  
Web site: www.meezanbank.com

### **DISTRIBUTORS**

Al Meezan Investment Management Limited  
Meezan Bank Limited

## Directors' Report for Meezan Tahaffuz Pension Fund for the quarter ended September 30, 2007

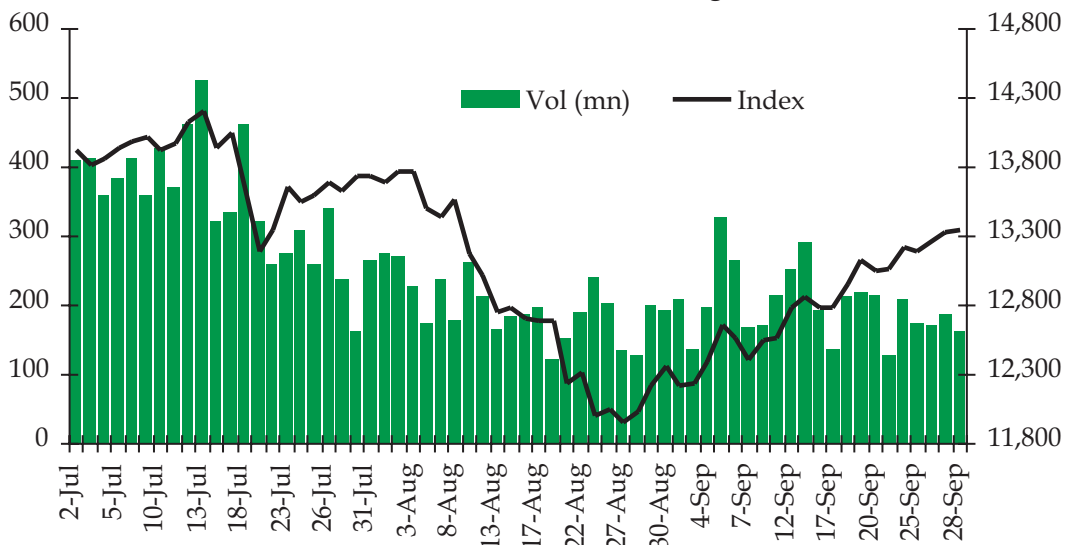
The Board of Directors of Al Meezan Investment Management Limited, the Fund Manager of Meezan Tahaffuz Pension Fund, is pleased to present the unaudited accounts of Meezan Tahaffuz Pension Fund (MTPF) for the quarter ended September 30, 2007. This was the first completed quarter for MTPF which was launched for subscription by general public on June 28, 2007.

### Market Review

The Stock Market during the first quarter of the financial year was marked by volatility in trend and turnover. The market movements during the quarter can be segmented into three distinct phases; the positive, the slump and the recovery. Overall, the KSE-100 index during the quarter shed 419 points or 3% to finish the quarter at 13,353 with an average daily turnover of 250 mn shares.

The new financial year started on a positive note and the Index continued its upward momentum from previous year, making an all time high of 14,202 on July 13, 2007. However this upward movement failed to maintain itself primarily due to rising political uncertainty in the country. News regarding failed talks between leading political parties and the Government, suicidal attacks after the Lal Masjid operation, uncertainty regarding President's re-election and significant outflows of foreign funds led to a decline of 1,200 points in just one week, shedding a total of 1,500 points (11%) during the slump phase and making a low of 11,958 on August 27, 2007. The market completely ignored the robust profitability and handsome dividend payouts by the companies. Moreover, sub prime mortgage crisis in the US which led to persistent sell off in equity markets globally, further weakened market sentiment and contributed to this downtrend. However, later in September positive developments on political front and strong fundamentals helped in an impressive recovery of 1,400 points from the lowest level. Moreover, foreign funds which had divested their holdings during first couple of months started to invest in Pakistan again as foreign investors realized the fact that Pakistan's Capital Markets are not likely to be influenced by the sub prime crisis which had mostly affected the developed countries.

**KSE-100 Index Performance during FY08**



On the Money Market side the quarter started with little activity mainly due to the fact that market was expecting monetary policy statement in last week of July. The State Bank's Monetary Policy Statement was in line with market expectations as it reaffirmed its commitment to reign in inflation, contain money supply, and streamline external imbalances. SBP further revised discount rate upwards by 50bp to 10.00% from 9.50%. These steps resulted in liquidity crunch in the market. Moreover S&P altered its rating outlook for Pakistan from 'Positive' to 'Stable' on the back of political and security reasons (in addition to the economic fundamentals like the expansionary fiscal stance witnessed in the budget FY08), causing a rise in the yield for Pakistan's 10-year dollar denominated Eurobond in the middle of the month by around 250bps, resulting in a decline in bond prices.

However toward quarter end, the political scenario improved and an increased interest in PIBs was witnessed. The bond market gained momentum, with 10-year PIB rates declining by 12-15bps. Moreover due to the Fed's rate cut, the rates on Pakistan's Eurobonds declined to 8.22%, which were as high as 9.4% (July, 2007).

On the Islamic Bond Market side, many new Sukuks were issued during the quarter, further expanding the Sukuk market in Pakistan which now amounts to Rs. 30 billion.

### **Operational Review**

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

#### **Equity Sub Fund**

Equity sub fund's performance during the first quarter FY 08 was very encouraging as it gained 4.72% during the period. For the three months ended September 30, 2007, the fund earned gross income of Rs. 3 million, main contributors of which were unrealized appreciation in equity securities of Rs. 2 million and profit on bank deposits of Rs. 0.5 million. After accounting for expenses of Rs. 0.371 million, the fund recorded a net profit of Rs. 2.67 million. The net assets of Equity sub fund increased from Rs. 53.93 million at the beginning of the period to Rs. 58.97 million by the end of it.

#### **Debt Sub Fund**

Debt sub fund's performance during the first quarter FY 08 was encouraging as it gained 2% during the period. Debt sub fund during the three months ended September 30, 2007 earned gross income of Rs. 1.4 million, main contributor of which was profit on bank deposits of Rs. 0.96 million. After accounting for expenses of Rs. 0.32 million, the fund recorded a net profit of Rs. 1.06 million. The net assets of debt sub fund increased from Rs. 51.14 million at the beginning of the period to Rs. 52.98 million by the end of it.

#### **Money Market Sub Fund**

The net asset value per unit of Money market sub fund appreciated by 2% to end the first quarter of FY 08 to Rs. 102.19. Profit on bank placements of Rs. 0.96 million contributed mainly to the funds's gross income of Rs. 1.3 million. The fund recorded net profit of Rs. 1.004 million, after accounting for expenses of Rs. 0.286 million. While the total net assets of the sub fund increased by Rs. 1.074 million to end the quarter at Rs. 51.186 million, thereby recording a growth of 2.14%.

## **Investment Objective & Policy**

The purpose of launching Meezan Tahaffuz Pension Fund is to provide participants a Shariah-compliant saving mechanism where they can save from their current income in order to gain benefits after retirement or disability or when the other income avenues are exhausted. MTPF will provide participants a regular Halal income stream after retirement/disability when they can no longer earn regular income to support their living so that they are not dependent on other members of the society.

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

## **Future Outlook**

We remain hopeful of the future prospects of the stock and money markets in general and of Meezan Tahaffuz Pension Fund in particular. While the minor corrections in the market may continue to take place in the short term, we believe that the long term direction would continue to be guided by the overall economic growth in the country and increasing foreign funds inflows on the back of positive investment and economic outlook of the country.

We take this opportunity to thank our valuable investors for reposing faith in us and making us the largest Shariah Compliant in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, MTPF's trustee, Central Depository Company of Pakistan and the management of Karachi Stock Exchange for all their support and guidance.

## **Acknowledgement**

We thank all our investor who have placed their confidence on us. We offer our sincere gratitude the Security & Exchange Commission of Pakistan the Trustee - Central Depository Company of Pakistan Limited. We also wish to place on record our appreciation for the personnel of the Pension Fund Manager.

Karachi  
October 22, 2007

For and on behalf of the Board  
**Mohammad Shoaib, CFA**  
Chief Executive

## Condensed Statement of Assets and Liabilities (Unaudited)

As at September 30, 2007

Form - 1

		September 30, 2007				
		(Rupees in '000)				
Note	Equity Sub Fund	Debt Sub - Fund	Money Market Sub - Fund	Others	Total	
<b>Assets</b>						
Bank balances	5	5,056	29,366	40,762	6	75,190
Receivable on sale of investments		707	9,841	3,638	-	14,186
Investments	6	53,076	15,271	9,355	-	77,702
Dividend and profit receivable		895	1,064	855	(3)	2,811
Derivative financial instruments	7	-	23	23	-	46
Advances, Deposits, Prepayments	8	100	100	100	-	300
Formation cost		226	226	226	-	678
<b>Total Assets</b>		60,060	55,891	54,959	3	170,913
<b>Liabilities</b>						
Payable against withdrawal		-	-	-	-	-
Payable against purchase of investments		706	2,519	3,393	-	6,618
Payable to Pension Fund Manager		320	315	313	-	948
Payable to Trustee		9	9	8	-	26
Payable to Auditors		46	45	45	-	136
Payable to Securities and Exchange Commission of Pakistan		5	5	5	-	15
Accrued expenses and other liabilities	9	9	9	9	-	27
Derivative financial instruments	7	-	7	-	-	7
<b>Total liabilities</b>		1,095	2,909	3,773	-	7,777
<b>Net assets</b>		58,965	52,982	51,186	3	163,136
<b>Contingencies and Commitments</b>		-	-	-	-	-
<b>Participants' sub-funds (as per statement attached)</b>		58,965	52,982	51,186		
Number of units						
<b>Number of units in issue</b>	12	562,238.66	517,992.72	500,894.17		
<b>Net assets value per unit (Rupees)</b>		104.87	102.28	102.19		

The annexed notes 1 to 16 form an integral part of these financial statements.

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

Chief Executive

Director

## Condensed Income statement (Unaudited)

For the Quarter ended September 30, 2007

Form - 2

	September 30, 2007					June 16, 2007
	(Rupees in '000)					to September 30, 2007
<i>Note</i>	Equity Sub Fund	Debt Sub - Fund	Money Market Sub - Fund	Others	Total	Total
<b>Income</b>						
Profit on Sukuk bond	-	33	10	-	43	43
Unrealised (loss) / gain on investments' at fair value through profit or loss	2,184	16	20	-	2,220	2,183
(Loss) / gain on derivative financial instruments (net)	-	16	31	-	47	39
Capital gain on sale of investments	24	175	268	-	467	467
Dividend income	319	173	-	-	492	492
Profit on deposit accounts with banks	505	960	961	-	2,426	3,011
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	5	4	-	-	9	17
<b>Total income</b>	3,037	1,377	1,290	-	5,704	6,252
<b>Expenses</b>						
Remuneration of Pension Fund Manager	211	198	192	-	601	694
Remuneration of Trustee	27	25	24	-	76	88
Annual Fee of the Commission	4	4	4	-	12	15
Auditors' remuneration	17	17	17	-	51	150
Fees and subscription	-	-	-	-	-	-
Amortization of formation cost	21	21	21	-	63	72
Legal and other professional fees	-	-	-	-	-	-
Brokerage	79	45	22	-	146	184
Bank and settlement charges	3	3	2	-	8	8
Other Expenses	9	7	4	-	20	23
<b>Total expenses</b>	371	320	286	-	977	1,234
<b>Net income</b>	2,666	1,057	1,004	-	4,727	5,018
Earnings per unit (Rupees)	13      4.74	2.04	2.00			

The annexed notes 1 to 16 form an integral part of these financial statements.

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

Chief Executive

Director



## Condensed Cash Flow Statement (Unaudited)

For the Quarter ended September 30, 2007

Form - 3

September 30, 2007					
(Rupees in '000)					
Note	Equity Sub Fund	Debt Sub - Fund	Money Market Sub - Fund	Others	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income	2,666	1,057	1,004	-	4,727
<b>Adjustments for :</b>					
Dividend income	(319)	(173)	-	-	(492)
Profit on sukuk bonds	-	(33)	(10)	-	(43)
Profit on bank deposits	(505)	(960)	(961)	-	(2,426)
Unrealised loss / (gain) on :					
- investments at 'fair value through profit and loss'	(2,184)	(16)	(20)	-	(2,220)
- derivative financial instruments	-	(16)	(31)	-	(47)
Amortization of formation costs	21	21	21	-	63
Element of (income) / loss and (capital gains) / losses included in prices of units issued less those in units redeemed	(5)	(4)	-	-	(9)
	(326)	(124)	3	-	(447)
<b>(Increase) / decrease in assets</b>					
Bank balances in deposit account	-	(12,500)	(12,500)	-	(25,000)
Receivable against sale of investments	(707)	(9,841)	(3,638)	-	(14,186)
Formation cost	-	-	-	-	-
Advances, deposits, prepayments and other receivables	(100)	(100)	(100)	-	(300)
Investment at fair value through income statement	(41,873)	(15,255)	5,121	-	(52,007)
	(42,680)	(37,696)	(11,117)	-	(91,493)
<b>Increase / (decrease) in liabilities</b>					
Payable to the Pension Fund Manager	39	34	32	-	105
Payable to Trustee	5	5	4	-	14
Payable to auditors	13	12	12	-	37
Payable to Securities and Exchange Commission of Pakistan	4	4	4	-	12
Payable against purchase of investments	(8,495)	2,519	(11,086)	-	(17,062)
Accrued expenses and other liabilities	9	9	9	-	27
	(8,425)	2,583	(11,025)	-	(16,864)
Dividend received	51	-	-	-	51
Profit received on deposit accounts with banks	201	297	311	-	809
Profit received on sukuk certificates	-	-	-	-	-
<b>Net cash (outflow)/inflow from operating activities</b>	(51,179)	(34,940)	(21,828)	-	(107,947)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Receipts of contribution	4,266	1,314	90	6	5,676
Transfer of contribution to sub funds from collection account	-	-	-	(3,940)	(3,940)
Payments against withdrawal	-	-	-	-	-
<b>Net cash inflow / (outflow) from financing activities</b>	4,266	1,314	90	(3,934)	1,736
Net cash (outflow) / inflow during the period	(46,913)	(33,626)	(21,738)	(3,934)	(106,211)
Cash and cash equivalents at the beginning of the period	51,969	50,492	50,000	3,940	156,401
Cash and cash equivalents at the end of the period	5,056	16,866	28,262	6	50,190

The annexed notes 1 to 16 form an integral part of these financial statements.

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

Chief Executive

Director

**Condensed Statement of Movement In Participants' Fund (Unaudited)**  
**For the Quarter ended September 30, 2007** **Form - 4**

	September 30, 2007		
	(Rupees in '000)		
<i>Note</i>	Equity Sub Fund	Debt Sub - Fund	Money Market Sub - Fund
Net assets at the beginning of the period	53,930	51,143	50,112
Amount received on issue of units	2,374	786	70
Contribution received but units allocated subsequent to period end			
Units allocated on contribution received in previous quarter			
Redemption of units on amount withdrawn: - Nil units			
	2,374	786	70
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(5)	(4)	-
Net income for the period	2,666	1,057	1,004
Net assets at the end of the period	58,965	52,982	51,186

The annexed notes 1 to 16 form an integral part of these financial statements.

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

**Chief Executive**

**Director**

## **Notes to the Financial Statements (Unaudited)**

### **For the Quarter ended September 30, 2007**

#### **1. LEGAL STATUS AND NATURE OF BUSINESS**

Meezan Tahaffuz Pension Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (AMIML) as Pension Fund Manager and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on May 30, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 30, 2007 under the Voluntary Pension System Rules, 2005. The registered office of the Pension Fund Manager of the Fund, is situated at Finance & Trade Centre Sharah-e-Faisal, Karachi, Pakistan. The Pension Fund Manager of the Fund is registered with SECP as a Non-Banking Finance Company under NBFC Rules, 2005.

Meezan Tahaffuz Pension Fund (MTPF) offers a saving mechanism where an individual saves from his/her income during work life in order to retain financial security and comfort in terms of regular income stream after retirement.

The Fund has been formed to enable the participants to contribute in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Pension Fund Manager has appointed Meezan Bank Limited (MBL) as its Shariah Adviser to ensure that the activities of the Fund are in compliance with the principles of Shariah.

The Fund is an open-end un-listed fund. Units are offered for public subscription on a continuous basis. The units are non-transferable and can be redeemed by surrendering them to the Fund.

The Fund initially comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund. Participants will be offered various investment allocation schemes depending on their investment horizon, return requirements, risk tolerance and any unique circumstances. The contributions from Participants will be invested in various instruments belonging to different asset classes to get full benefits of risk minimization through diversification.

#### **2. BASIS OF PRESENTATION**

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Adviser are accounted for on substance rather than the form prescribed by the earlier referred guidelines.

#### **3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Voluntary Pension System Rules, 2005 and directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Voluntary Pension System Rules, 2005 and the said directives differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Voluntary Pension System Rules, 2005 and the said directives take precedence.

#### 4. 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 the periods presented, unless otherwise stated.

##### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are carried at fair value.

##### 4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the Pension Fund Manager to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

"The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods."

Judgement made by the Pension Fund Manager in the application of approved accounting standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next periodic as follows:

##### *Fair values of financial instruments*

The fair value of investment in marketable securities is based on the closing market prices ruling at the day-end. The management is of the view that the fair market value of the financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short-term in nature.

##### 4.3 Financial instruments

###### (i) Classification

a) The category of Investments '*at fair value through profit or loss*' comprises:

###### - *Financial instruments held-for-trading*

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

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.

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

These include investments that are not held for trading purposes and which may be sold.

Financial instruments that do not fall under the aforementioned category are loans and receivables originated by the enterprise and available for sale financial instruments which are as follows.

b) *Loans and receivables originated by the enterprise*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as fair value through profit or loss or available-for-sale. This includes receivable against sale of investments and other receivables.

c) *Available for sale*

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

(ii) *Recognition*

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

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

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

(iii) *Measurement*

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

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

Financial assets classified as loans and receivables are carried at amortized 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 amortized cost using the effective yield method.

(iv) *Fair value measurement principles*

The fair value of marketable securities and derivatives is based on their price quoted on the Karachi Stock Exchange at the balance sheet date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

(v) *Impairment*

Financial assets that are stated at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective yield rate.

If in a subsequent period, the amount of an impairment loss recognised on a financial asset carried at amortized cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the impairment is reversed through the income statement.

(vi) *Derecognition*

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

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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

#### **4.4 Participants' fund**

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

#### **4.5 Issue and redemption of units**

Contribution received in the Individual Pension Account on realization basis after deduction of front end fee, if any, is used to purchase the Units of Sub-Funds of the Pension Fund as per 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.

Withdrawals made are used to redeem units of the Sub Funds of the Pension Fund, as per 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.

Allocation scheme can be selected initially at the time of opening of account and subsequently at anniversary of the account .

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

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

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

#### **4.7 Provisions**

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

#### **4.8 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of Three years commencing from June 16, 2007.

#### **4.9 Net assets value per Unit of Pension Fund and each Sub Fund**

Net Assets of the Pension Fund will comprise of the Net Assets of all the Sub Funds, Individual Pension Account, Approved Income Payment Plan, Cash collection and disbursement account constituting the Pension Fund and any other assets in any other account related to the Pension Fund.

The Net Asset Value of each Sub-Fund means the excess of assets over liabilities of the Sub-Fund, divided by the number of Units outstanding of the respective Sub-Fund. Such excess shall be computed in the manner as specified in the Rules or by the Commission from time to time. Such sum shall be rounded off to the nearest two decimal places.

#### **4.10 Taxation**

##### *Current*

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

##### *Deferred*

The Fund is exempt unconditionally so no tax liability and deferred tax has been recognised in these financial statements.

#### **4.11 Revenue recognition**

- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the income statement.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on deposit accounts with banks and investments in debt instruments are recognised on accrual basis using the effective yield method.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units.

#### **4.12 Expenses**

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

#### **4.13 Offsetting of financial instruments**

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

#### **4.14 Zakat**

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

#### **4.15 Transactions with connected persons**

Transactions between the Fund and its connected persons, as defined in VPS Rules, 2005 are carried out on an arm's length basis substantiated in a manner set out in note 8.

#### **4.16 Cash and cash equivalents**

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



#### 4.17 Dividend and Bonus units

Distribution of dividend or/and bonus units shall not be allowed under the Rules.

#### 5. BANK BALANCES

	(Rupees in '000)			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
Saving accounts	5,056	16,866	28,262	50,184
Term deposits	-	12,500	12,500	25,000
	5,056	29,366	40,762	75,184

#### 6. INVESTMENT BY CATEGORY

**Form - 5**

	(Rupees in '000)			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
<b>At fair value through income statement</b>				
Equity securities				
- Held for trading 6.1	53,076	5,771	6,855	65,702
Investments at fair value through profit or loss upon initial recognition.	-	9,500	2,500	12,000
	53,076	15,271	9,355	77,702

**Statement of Investment Portfolio**

**Form - 6**

**6.1 Statement of Movement in Investment Portfolio - As held for trading as at September 30, 2007**

Name of the investee company	As at July 1, 2007	Purchases during the year	Cost	Bonus / rights issue	Sales during the year	As at September 30, 2007	Market value	Percentage of net assets on the basis of market value	Percentage of paid up capital of investee company
	Number of shares/units/certificates		Rs in '000	Number of shares/units/certificates		Rs in '000	Rs in '000		
<b>6.1.1 DEBT SUB FUND</b>									
<b>Securities sold under deferred sale arrangements</b>									
<b>Textile composite</b>									
Nishat Mills Limited	-	20,000	1,980	-	20,000	-	-	0%	0.00%
<b>Oil and Gas Exploration Companies</b>									
Oil and Gas Development Company Limited	-	60,500	6,824	-	60,500	-	-	0%	0.00%
Pakistan Oil Fields Limited	-	31,500	9,601	-	24,000	7,500	2,321	4%	0.00%
Pakistan Petroleum Limited	-	29,000	7,226	-	29,000	-	-	0%	0.00%
<b>Oil and Gas Marketing Companies</b>									
Sui Northern Gas Pipeline Limited	-	5,500	390	-	5,500	-	-	0%	0.00%
Sui Southern Gas Company Limited	-	213,000	5,896	-	213,000	-	-	0%	0.00%
<b>Fertilizer</b>									
Fauji Fertilizer Bin Qasim Limited	-	9,000	355	-	9,000	-	-	0%	0.00%
Fauji Fertilizer Company Limited	-	30,000	3,450	-	-	30,000	3,450	7%	0.01%
Total							5,771		
<b>6.1.2 EQUITY SUB FUND</b>									
<b>Automobile assembler</b>									
Indus Motor Company Limited	2,100	-	-	-	-	2,100	693	1%	0.00%
Pak Suzuki Motor Company Limited	2,000	1,000	365	-	-	3,000	1,157	2%	0.00%
<b>Paper and Board</b>									
Packages Limited	3,000	15,000	4,231	-	-	18,000	6,300	11%	0.02%
<b>Power Generation and Distribution</b>									
Kot Addu Power Company Limited	-	119,000	5,744	-	19,000	100,000	5,390	9%	0.01%
Hub Power Company Limited	-	165,000	5,697	-	-	165,000	5,544	9%	0.01%
<b>Oil and Gas Exploration Companies</b>									
Pakistan Oil Fields Limited	-	6,000	1,805	-	-	6,000	1,857	3%	0.00%
Oil and Gas Development Company Limited	25,000	22,000	2,660	-	-	47,000	5,405	9%	0.00%
Pak Petroleum Ltd	-	16,000	4,223	-	-	16,000	4,256	7%	0.00%
Chemical	-	-	-	-	-	-	-	-	-
ICI Pak Ltd	-	32,200	4,870	-	-	32,200	5,038	9%	0.02%
<b>Technology and Communication</b>									
PTCL 'A	-	65,000	3,468	-	-	65,000	3,413	6%	0.00%
<b>Fertilizer</b>									
Engro Chemicals (Pakistan) Limited	-	17,000	4,036	-	-	17,000	4,418	7%	0.01%
Fauji Fertilizer Bin Qasim Limited	50,000	50,000	2,024	-	-	100,000	4,430	8%	0.01%
Fauji Fertilizer Company Limited	15,000	60,000	7,384	-	30,000	45,000	5,175	9%	0.01%
Total							53,076		
<b>6.1.3 MONEY MARKET SUB FUND</b>									
<b>Securities sold under deferred sale arrangements</b>									
<b>Oil and gas exploration companies</b>									
Oil and Gas Development Company Limited	30,000	-	-	-	30,000	-	-	0%	0.00%
Pakistan Oilfields Limited	11,500	34,000	10,365	-	34,500	11,000	3,405	7%	0.01%
Pakistan Petroleum Limited	14,000	15,000	3,525	-	29,000	-	-	0%	0.00%
<b>Fertilizer</b>									
Fauji Fertilizer Company Limited	-	60,000	7,112	-	30,000	30,000	3,450	7%	0.01%
Engro Chemicals (Pakistan) Limited	14,000	-	-	-	14,000	-	-	0%	0.00%
Total							6,855		

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

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

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

**Statement of Other Investments as at September 30, 2007**  
 (Sub-Fund wise where applicable)

**Form - 7**

S.No.	NAME	AT COST	% AGE OF NET ASSETS
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Rs' 000

**6.5 At Fair Value Through Income Statement**

**DEBT SUB FUND**

SUKUK BONDS

1	Security Leasing Corporation Limited	2,500	4.7%
2	Engro Chemical Pakistan Limited	2,500	4.7%
3	Dawood Hercules Chemicals Limited	2,500	4.7%
4	Shahmurad Sugar Mills Limited	2,000	3.8%
<b>Total</b>		<b>9,500</b>	

**MONEY MARKET SUB FUND**

SUKUK BONDS

1	Security Leasing Corporation Limited	2,500	4.9%
<b>Total</b>		<b>2,500</b>	

**Total (Rupees)**

CY	PY
12,000	-

The annexed notes form an intergral part of these financial statements.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

Type of contract	Number of shares	Settlement	Underlying	Notional amount	Note	September 30, 2007	
						Fair value	
						Assets	(Liabilities)
(Rupees in '000)							
<b>7.1 DEFERRED SALES</b>							
<b>7.1.1 DEBT SUB FUND</b>							
- Pakistan Oil Fields Limited	7,500	October 30, 2007	Equity indices	2,217,371	7.2		(7)
- Fauji Fertilizer Company Limited	30,000	October 30, 2007	Equity indices	3,478,350	7.2	23	(7)
						23	(7)
						23	(7)
<b>7.1.2 MONEY MARKET SUB FUND</b>							
- Pakistan Oil Fields Limited	11,000	October 30, 2007	Equity indices	3,255,005	7.2	23	
- Fauji Fertilizer Company Limited	30,000	October 30, 2007	Equity indices	3,478,350	7.2		-
						23	-
						23	-

7.2 Deferred sale transactions are commitments to sell a designated financial instrument at a specified future date for a specified price and settled in cash. Deferred sales are standardized exchange-traded contracts. Deferred sale contracts have little credit risk because the counter parties are stock exchanges.

It results in exposure to market risk based on changes in market prices related to contracted amounts. Market risk arises due to the possibility of movement in indices and securities' value underlying these instruments.

Notional amounts are the underlying reference amounts to stock exchange indices, upon which the fair values of the deferred sale contracts, traded by the Fund are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the Fund's deferred sale contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

## 8. ADVANCES, DEPOSITS, PREPAYMENTS

	(Rupees in '000)			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
Deposit with Central Depository Company	100	100	100	300

## 9. ACCRUED EXPENSES AND OTHER LIABILITIES

Withholding tax payable	9	9	9	27

**10. CONTRIBUTION TABLE**

**Form - 8**

Contributions net of Front End Fee received during the year From	Equity		Debt		Money Market		Total (Rupees '000)	Total PY (Rupees '000)
	Units	Rupees '000	Units	Rupees '000	Units	Rupees '000		
Individuals	23,687	2,374	7,811	786	695	70	3,230	-
Employers	-	-	-	-	-	-	-	-
Other Pension Fund Managers*	-	-	-	-	-	-	-	-
Total	23,687	2,374	7,811	786	695	70	3,230	-

\* These represent transfers from other Pension Fund Managers

The annexed notes form an intergral part of these financial statements.

**11. NUMBER OF UNITS IN ISSUE**

**Form - 9**

	Equity Sub Fund	Debt Sub-Fund	Money Market Sub-Fund
Total Units outstanding at the beginning of the period	538,552.05	510,181.57	500,199.66
<b>ADD:</b> Units issued During the year	23,686.61	7,811.16	694.51
<b>LESS:</b> Units Redeemed During the year	-	-	-
Total units in issue at the end of the Year	562,238.66	517,992.72	500,894.17

The annexed notes form an intergral part of these financial statements.

## 12. CLASSES OF UNITS IN ISSUE

12.1 The Fund may issue the following classes of units:

Class	Description
Core Units -Restricted	Units issued to Seed Capital holders of the Fund.
Participating Units	Units that shall be issued to Participants of the Fund.

Restricted units were issued as initial subscription in the form of seed capital which was received by the Fund as at June 16, 2007 with the restriction that these units shall not be redeemable or transferable for a period of three years from the date of such subscription. The entire Seed Capital of the Fund is subscribed by the Pension Fund Manager.

12.2 The units in issue as at September 30, 2007 in each class and their par values were as follows.

Class	As at September 30, 2007					
	Sub Funds					
	Equity		Debt		Money Market	
	Number of units in issue	Rupees in '000	Number of units in issue	Rupees in '000	Number of units in issue	Rupees in '000
Core Units	500,000.00	50,000	500,000.00	50,000	500,000.00	50,000
Participating Units	62,238.66	6,224	17,992.72	1,799	894.17	89
<b>Total</b>	<b>562,238.66</b>	<b>56,224</b>	<b>517,992.72</b>	<b>51,799</b>	<b>500,894.17</b>	<b>50,089</b>

## 13. EARNINGS PER UNIT

	For the quarter ended September 30, 2007		
	(Rupees in '000)		
	Sub Funds		
	Equity	Debt	Money Market
Net income for the period	2,666	1,057	1,004
	(Number of units)		
Units outstanding as at 30 September	562,238.66	517,992.72	500,894.17
	(Rupees)		
Quarterly earning per unit	4.74	2.04	2.00

#### 14. TRANSACTIONS WITH CONNECTED PERSONS

The connected persons include Al Meezan Investment Management Limited being the Pension Fund Manager, Central Depository Company Limited being the Trustee, Meezan Bank Limited being the holding company of the Pension Fund Manager, funds under management of the Pension Fund Manager and Directors of the Pension Fund Manager.

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

Remuneration payable to the Pension Fund Manager and the Trustee is determined in accordance with the provisions of VPS Rules and the Trust Deed respectively.

Details of transactions with connected persons and balances with them at period end are as follows:

**For the quarter ended September 30, 2007**

(Rupees in '000)

Sub Funds		
Equity	Debt	Money Market

#### 14.1 Units sold to / held by :

**Pension Fund Manager**

Al Meezan Investment  
Management Limited

-                      -                      -

**Other related parties**

Directors and officers of the  
Pension Fund Manager

160                      40

#### 14.2 Transactions and balances with connected persons- unsecured

##### 14.2.1 Pension Fund Manager

Balance at the beginning of the period

281                      281                      281

Remuneration for the period

211	198	192
-----	-----	-----

Sales load for the period

-	-	-
---	---	---

211	198	192
-----	-----	-----

492	479	473
-----	-----	-----

Amount paid during the period

172	164	160
-----	-----	-----

Balance at the end of the period

320	315	313
-----	-----	-----

**As at September 30, 2007**

**(Rupees in '000)**

Sub Funds		
Equity	Debt	Money Market

**14.2.2 Holding company of the Pension Fund Manager**

Bank balances	13	12,507	12,505
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**For the quarter ended September 30, 2007**

Profit on Deposit Accounts	9	154	151
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**14.2.3 Trustee**

Balance at the beginning of the period	4	4	4
Remuneration for the period	27	25	24
CDS charges for the period	2	2	-
	29	27	24
	33	31	28
Amount paid during the period	24	22	20
Balance at the end of the period	9	9	8

**15. FAIR VALUE OF FINANCIAL INSTRUMENTS**

As the assets and liabilities are essentially short term in nature, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

**10. DATE OF AUTHORISATION FOR ISSUE**

\* These financial statements were authorised for issue on October 22, 2007 by the Board of Directors of the Pension Fund Manager.

**16. GENERAL**

**16.1** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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

**Chief Executive**

**Director**