



# Building Fruitful Relations



Annual Report 2014





**Annual Report 2014**



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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

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited is pleased to present the audited annual financial statements of the following open end funds, for the year ended June 30, 2014.

## **Fund of Funds**

- Meezan Financial Planning Fund of Funds

## **Capital Protected Fund**

- Meezan Capital Protected Fund - II

## **Capital Preservation Fund**

- Meezan Capital Preservation Fund - III

## **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 signs of economic revival with the real GDP growing by 4.1% as opposed 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%. Pakistan availed the IMF Extended Fund Facility Program at the start of the fiscal year and 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 Central Bank 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 Central Bank 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, Central Bank 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. The Central Bank, 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 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 and PPL 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 improved with an increase in foreign exchange reserves 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 worth of borrowing from the SBP since February 2014 which has helped improve NDA-NFA ratio as well. As a result, M2 growth was 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 through successful auctions of PIBs 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 FY 14. 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 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 be improved 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 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 FY 14 and closed the year at the level of 47,687 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 centers 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.

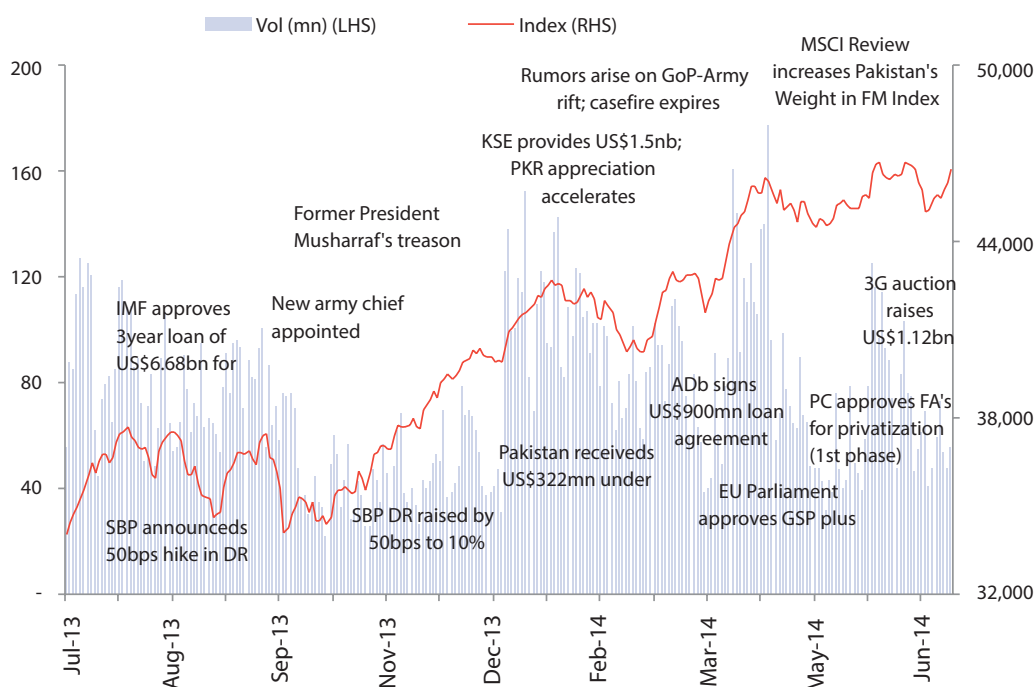
#### Key contributors to the increase in Index

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 KMI-30 index is as follows:



## Money Market Review

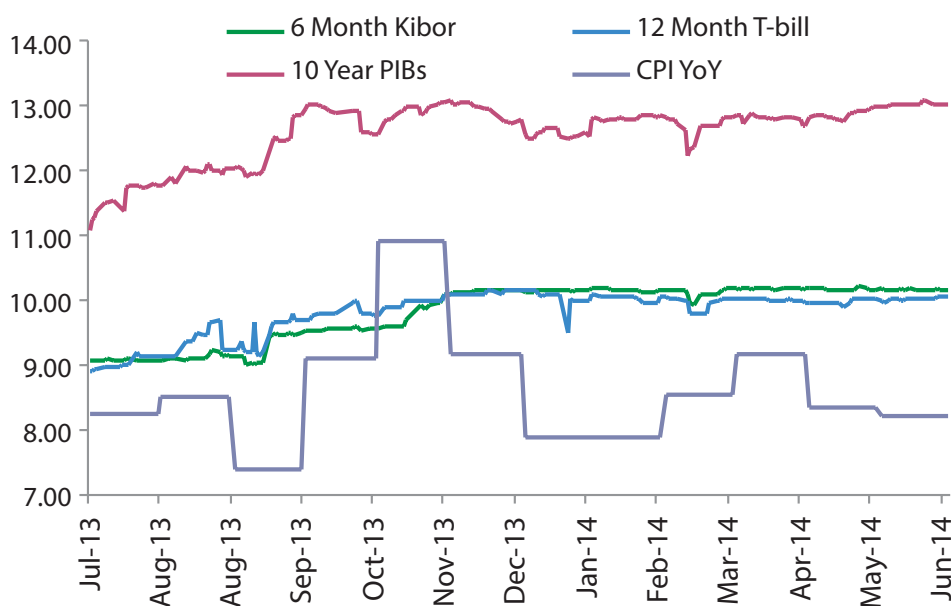
Fiscal year 2014 commenced with the SBP reverting back to a monetary tightening stance whereby the first two bi-monthly monetary policies (MPS) each saw a 50bps rise in the key rate which took it back to 10%. The usual speculation rounds were witnessed in subsequent MPSs but the discount rate was maintained 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 auctions 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 of 200bps below the six month T-bill yield which effectively produces a yield below 8%. 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 FY 2014, 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 factors, the rupee closed the year 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 fiscal year 2014, 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 market share of Islamic funds to 21.0% in the 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 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 mutual funds' 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 interest rate cuts, the growth in equity funds significantly surpassed income funds.

### Performance Review

Name of Fund	Type	Net Assets June 30, 2014 (Rs. millions)	Growth in Net Assets for FY14	Return for FY14	Benchmark Return FY14
Meezan Capital Protected Fund - II	Open-End Capital Protected Fund	539	7%	12.09%	11.68%
Meezan Capital Preservation Fund-III*	Open-end Fund of Fund	3,111	N/A	N/A	N/A
Meezan Capital Preservation Fund-II**	Open-end Fund of Fund	2,069	N/A	N/A	N/A
<b>Meezan Financial Planning Fund of Funds</b>					
- Aggressive	Open-end Fund of Fund	330	29%	22.09%	21.72%
- Moderate		255	61%	17.32%	18.22%
- Conservative		341	20%	12.60%	11.22%
<b>Total</b>		<b>6,645</b>			

\* The Fund was launched on January 31, 2014

\*\* The Fund was launched on June 27, 2014

N/A: Not Applicable

### Operational Review

Please refer to respective fund management reports for operational reviews.

## **Auditors**

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible offer themselves as auditors of the collective investment schemes under management of Al Meezan for FY 2014-15. 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.

## **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. This 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 will depend on further improvement in the current forex reserves position. On local front, 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 KMI-30 index is expected to consolidate at current levels; the index is currently trading at a PE Ratio of 8.1x, with FY'15 earnings growth of 16%. Following improved economic statistics, the potential of Pakistan's higher weightage in the MSCI Frontier Market (FM) index is expected to create positive vibes in the market and sustain positive momentum.

## **Compliance with Code of Corporate Governance**

Al Meezan Investment Management Limited always strives to maintain the highest standards of corporate governance. In compliance with the Code of Corporate Governance, the Board of Directors declares that:

- These financial statements, prepared by the management company of the Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- The sale and repurchase of units of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children during the year are Nil.
- Pattern of holding of units is given at the end of report of respective fund.
- Financial highlights are given in notes to the financial statements of respective fund.

### **Board Meetings**

Details of Board Meetings and attendance therein is provided in the financial statements.

### **Acknowledgement**

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan and Trustee, Central Depository Company of Pakistan for their support. We would also like to thank the members of the Shariah Supervisory Board of Meezan Bank for their continued assistance and support on Shariah aspects of fund management.

For and on behalf of the Board

Date: August 28, 2014  
Karachi

**Mohammad Shoaib, CFA**  
**Chief Executive**



# Meezan Financial Planning Fund of Funds (MFPPF)

Meezan Financial Planning Fund of Funds (MFPPF) is designed to provide investors with a complete solution, from choice of various allocation plans, disciplined investing process to automatic portfolio rebalancing (as per constitutive documents of the fund).





# FUND INFORMATION

## MANAGEMENT COMPANY

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi 74400, Pakistan.  
Phone: (9221) 35630722-6, 111-MEEZAN  
Fax: (9221) 35676143, 35630808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Moin M. 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. Mohammad Shoaib, CFA	Chief Executive	

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S., Main Sharah-e-Faisal, Karachi.

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Habib Metropolitan Bank Limited - Islamic Banking  
Meezan Bank Limited

## LEGAL ADVISER

Bawaney & Partners  
3rd & 4th Floor, 68-C, Lane – 13, Bokhari Commercial Area Phase - VI, DHA Karachi  
Phone: (9221) 35156191-94 Fax: (9221) 35156195  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
Meezan House  
C-25, Estate Avenue, SITE, Karachi.  
Phone: 38103538 Fax: 36406017  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE FUND MANAGER

Meezan Financial Planning Fund of Funds (MFPF) was launched by Al Meezan Investments on April 12, 2013. It is an open-end Shariah Compliant (Islamic) Fund of Funds Scheme that aims to generate returns on Investments as per respective Allocation Plans by investing in Shariah Complaint Fixed Income and Equity Mutual Funds in line with risk tolerance of the investor.

### Strategy and Investment Policy

MFPF has three Allocation Plans which allow investors to invest according to their risk tolerance levels:

#### The Aggressive Allocation Plan

This Allocation Plan is suitable for Investors having a relatively higher risk tolerance and/or wish to save for long term. It shall invest at least 65% of its net assets in Shariah Compliant Equity Funds, while the remaining portion is allocated to Shariah Compliant Fixed Income Funds.

#### The Moderate Allocation Plan

This Allocation Plan is suitable for Investors having a relatively moderate risk tolerance and/or wish to save for medium to long term. It shall invest at least 45% of its net assets in Shariah Compliant Equity Funds, while the remaining portion is allocated to Shariah Compliant Fixed Income Funds

#### The Conservative Allocation Plan

The Conservative Allocation Plan This Allocation Plan is suitable for Investors having a relatively low risk tolerance and/or wish to save for short to medium term. It shall invest at least 20% of its net assets in Shariah Compliant Equity Funds, while the remaining portion is allocated to Shariah Compliant Fixed Income Funds.

In line with these different allocation plans, the benchmarks are also a combination of KSE Meezan Index 30's performance and average 6 month Islamic bank deposits as per the following detail:

Aggressive Allocation Plan	65% KMI-30 & 35% 6M Islamic Bank deposits
Moderate Allocation Plan	50% KMI-30 & 50% 6M Islamic Bank deposits
Conservative Allocation Plan	20% KMI-30 & 80% 6M Islamic Bank deposits

### Performance Table with Benchmark

	<u>Returns - FY14</u>
MFPF - Aggressive Benchmark	22.09% 21.72%
MFPF - Moderate Benchmark	17.32% 18.22%
MFPF - Conservative Benchmark	12.60% 11.22%

#### **Aggressive Allocation Plan**

The Aggressive Allocation Plan posted a total income of Rs. 60 million in the fiscal year 2014 as compared to Rs. 14 million last year. Total income comprised of realized gains and unrealized gain on investments of Rs. 12 million and Rs. 48 million respectively. After accounting for expenses of Rs. 2 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 4 million, the Fund posted a net profit of Rs. 61 million. The net assets of the Fund as at June 30, 2014 were Rs. 330 million as compared to Rs. 255 million at the end of last year depicting a rise of 29%.

#### **Moderate Allocation Plan**

The Moderate Allocation Plan posted a total income of Rs. 30 million in the fiscal year 2014 as compared to Rs. 5 million last year. Total income comprised of realized gains and unrealized gain on investments of Rs. 6 million and Rs. 24 million respectively. After accounting for expenses of Rs. 2 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 9 million, the Fund posted a net profit of Rs. 38 million. The net assets of the Fund as at June 30, 2014 were Rs. 255 million as compared to Rs. 158 million at the end of last year depicting a rise of 61%.

#### **Conservative Allocation Plan**

The Conservative Allocation Plan posted a total income of Rs. 41 million in the fiscal year 2014 as compared to Rs. 8 million last year. Total income comprised of realized gains and unrealized gain on investments of Rs. 27 million and Rs. 32 million respectively. After accounting for expenses of Rs. 2 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 90 million, the Fund posted a net profit of Rs. 39 million. The net assets of the Fund as at June 30, 2014 were Rs. 341 million as compared to Rs. 285 million at the end of last year depicting a rise of 20%.

#### **Distributions**

The Board of Directors in its meeting held on August 28, 2014 approved NIL distribution for the year ended June 30, 2014. The interim distributions by the Fund during the fiscal year ended June 30, 2014 were Aggressive Allocation Plan Rs. 8.5%; Moderate Allocation Plan Rs. 7.8%; Conservative Allocation Plan Rs. 4.10% during the fiscal year. The Fund made distributions amounting to Rs. 4.25 per unit, Rs. 3.9 per unit, Rs. 2.05 per unit for Aggressive Allocation Plan; Moderate Allocation Plan and Conservative Allocation Plan respectively, out of the profits during the year ended June 30, 2014

### Breakdown of unit holdings by size

(As on June 30, 2014)

Range (Units)	Aggressive No. of investors	Conservative No. of investors	Moderate No. of investors
1 - 9,999	254	245	342
10,000 - 49,999	46	63	86
50,000 - 99,999	8	8	9
100,000 - 499,999	3	7	5
500,000 and above	4	1	0
<b>Total</b>	<b>315</b>	<b>324</b>	<b>442</b>



**Meezan Bank**  
The Premier Islamic Bank

## **Report of the *Shari'ah* Advisor – Meezan Financial Planning Fund of Funds**

August 28, 2014/ Zul Qad 02, 1435

**Alhamdulillah**, the period from July 01, 2013 to June 30, 2014 was the second year of operations of Meezan Financial Planning Fund of Funds (MFPPFOF) under management of Al Meezan Investment Management Limited (Al Meezan). We Meezan Bank Limited are the *Shari'ah* Advisor of the Fund and are issuing the report in accordance with clause 6.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

In the capacity of *Shari'ah* Advisor, we have prescribed criteria and procedure to be followed in ensuring *Shari'ah* compliance in every investment.

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.

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MFPPFOF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MFPPFOF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MFPPFOF for the year ended June 30, 2014 have been in compliance with *Shari'ah* principles.

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  
*Shari'ah* Advisor

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN FINANCIAL PLANNING FUND OF FUNDS**

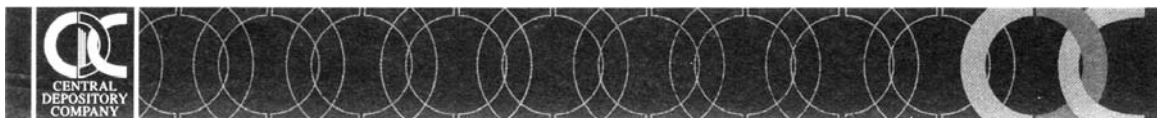
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Financial Planning Fund of Funds (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company 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 following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 19, 2014



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Limited (Formerly Karachi Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Management Company has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Moin M. Fudda
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on February 11, 2014 & April 29, 2014, which were filled up by the directors within 30 days. As required under clause (xi) of CCG regulation 35, all the relevant documents were circulated to the director and orientation will be conducted in forthcoming board of directors meeting. Further, as required under clause (v) of CCG regulation 35, mechanism for annual evaluation has been put in place and annual board's performance evaluation will be carried out in forthcoming year.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' as at June 30, 2014.



10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unitholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members, all the three members are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of four members including CEO. All the other members, including chairman of the committee, are non-executive directors.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company / units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the NAV of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

---

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 28, 2014



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

**Review Report to the Unitholders' of Meezan Financial Planning Fund of Funds ("theFund")  
on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") of the Fund for the year ended 30 June 2014 to comply with the requirements of the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of Code. 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 Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Fund's corporate governance procedures and risks.

The Code requires the Management Company of the Fund to place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured this compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2014.

**Date: 28 August 2014**

**Karachi**

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
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## **Independent Auditors' Report to the Unitholders**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Financial Planning Fund of Funds** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2014, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*


In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs 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.

### *Report on Other Legal and Regulatory Requirements*

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**Date: 28 August 2014**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Muhammad Nadeem**

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.


# Statement of Assets And Liabilities

As At June 30, 2014

	Note	2014			2013
		Aggressive	Moderate	Conservative	Total
----- (Rupees in '000) -----					
<b>Assets</b>					
Balances with banks	4	5,970	6,652	3,855	16,477
Investments	5	326,839	251,361	339,525	917,725
Preliminary expenses and floatation costs	6	-	-	757	757
Prepayment and other receivables		28	14	11	53
<b>Total assets</b>		<b>332,837</b>	<b>258,027</b>	<b>344,148</b>	<b>935,012</b>
<b>Liabilities</b>					
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	7	456	288	247	991
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	31	20	36	87
Payable to Meezan Bank Limited (MBL)		-	2	-	2
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	275	173	313	761
Payable on redemption and conversion of units		259	1,137	1,169	2,565
Accrued expenses and other liabilities	10	1,796	1,038	1,107	3,941
<b>Total liabilities</b>		<b>2,817</b>	<b>2,658</b>	<b>2,872</b>	<b>8,347</b>
<b>Net assets</b>		<b>330,020</b>	<b>255,369</b>	<b>341,276</b>	<b>926,665</b>
<b>Contingencies and Commitments</b>	13				
<b>Unitholders' fund (as per statement attached)</b>		<b>330,020</b>	<b>255,369</b>	<b>341,276</b>	<b>926,665</b>
-----Number of units-----					
Number of units in issue	14	5,486,041	4,510,622	6,129,708	
----- (Rupees) -----					
Net assets value per unit		60.16	56.62	55.68	

The annexed notes 1 to 26 form an integral part of these financial statements.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

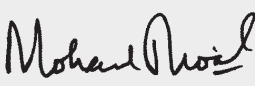
# INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014				For the period from April 10, 2013 to June 30, 2013			
	Aggressive	Moderate	Conservative	Total	Aggressive	Moderate	Conservative	Total
Note -----(Rupees in '000)-----								
<b>Income</b>								
Net realised gain on sale of investments	11,581	5,931	9,282	26,794	1,452	998	1,115	3,565
Profit on saving accounts with banks	338	413	418	1,169	111	96	93	300
	11,919	6,344	9,700	27,963	1,563	1,094	1,208	3,865
Unrealised gain on re-measurement of investments at 'fair value through profit or loss' (net) 5.1	47,622	23,730	31,555	102,907	12,302	4,331	6,777	23,410
<b>Total income</b>	59,541	30,074	41,255	130,870	13,865	5,425	7,985	27,275
<b>Expenses</b>								
Remuneration to Al Meezan Investment Management Limited - Management Company 7.1	40	52	57	149	28	26	20	74
Sindh Sales Tax and Federal Excise Duty on Management Fee 7.2 & 7.3	13	17	19	49	4	5	4	13
Remuneration to Central Depository Company of Pakistan Limited - Trustee 8	291	182	329	802	50	22	54	126
Annual fee to Securities and Exchange Commission of Pakistan 9	275	173	313	761	38	19	41	98
Auditors' remuneration 11	115	69	132	316	39	17	43	99
Fees and subscription	25	15	25	65	-	-	-	-
Preliminary expenses and floatation costs 6	-	-	198	198	-	-	45	45
Bank and settlement charges	247	234	147	628	502	217	178	897
Printing charges	9	6	10	25	10	4	11	25
Provision for Workers' Welfare Fund (WWF) 12	1,245	771	802	2,818	421	194	207	822
<b>Total expenses</b>	2,260	1,519	2,032	5,811	1,092	504	603	2,199
<b>Net income from operating activities</b>	57,281	28,555	39,223	125,059	12,773	4,921	7,382	25,076
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	3,744	9,201	90	13,035	8,258	4,780	2,966	16,004
<b>Net income for the year / period before taxation</b>	61,025	37,756	39,313	138,094	21,031	9,701	10,348	41,080
Taxation 20	-	-	-	-	-	-	-	-
<b>Net income for the year / period after taxation</b>	61,025	37,756	39,313	138,094	21,031	9,701	10,348	41,080
<b>Other comprehensive income for the year / period</b>	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year / period</b>	61,025	37,756	39,313	138,094	21,031	9,701	10,348	41,080

The annexed notes 1 to 26 form an integral part of these financial statements.

For Al Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoaib, CFA  
Chief Executive

  
Syed Amir Ali Zaidi  
Director

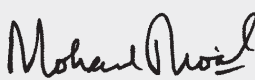
# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014				For the period from April 10, 2013 to June 30, 2013			
	Aggressive	Moderate	Conservative	Total	Aggressive	Moderate	Conservative	Total
	------(Rupees in '000)-----							
Undistributed income brought forward								
- Realised	8,729	5,370	3,571	17,670	-	-	-	-
- Unrealised	12,302	4,331	6,777	23,410	-	-	-	-
	21,031	9,701	10,348	41,080	-	-	-	-
Less: Final distribution on July 08, 2013 for the year ended June 30, 2013								
- bonus units (Aggressive @ 3.4%; Moderate @ 3.3%; Conservative @ 1.20%)	(7,956)	(4,908)	(3,301)	(16,165)	-	-	-	-
Less: Interim distribution on May 30, 2014 for the year ended June 30, 2014								
- bonus units (Aggressive @ 8.5%; Moderate @ 7.8%; Conservative @ 4.10%)	(20,628)	(15,181)	(12,372)	(48,181)	-	-	-	-
Net income for the year / period	61,025	37,756	39,313	138,094	21,031	9,701	10,348	41,080
Undistributed income carried forward	53,472	27,368	33,988	114,828	21,031	9,701	10,348	41,080
Undistributed income carried forward								
- Realised	5,850	3,638	2,433	11,921	8,729	5,370	3,571	17,670
- Unrealised	47,622	23,730	31,555	102,907	12,302	4,331	6,777	23,410
	53,472	27,368	33,988	114,828	21,031	9,701	10,348	41,080

The annexed notes 1 to 26 form an integral part of these financial statements.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director


# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

## FOR THE YEAR ENDED JUNE 30, 2014

	2014				For the period from April 10, 2013 to June 30, 2013			
	Aggressive	Moderate	Conservative	Total	Aggressive	Moderate	Conservative	Total
	----- (Rupees in '000) -----							
Net assets at beginning of the year / period	255,034	158,438	285,393	698,865	-	-	-	-
Issue of units Aggressive: 3,331,415 (2013 : 5,531,781), Moderate: 4,113,431 (2013 : 3,820,794), Conservative: 4,694,787 (2013 : 6,401,889)	191,904	229,343	251,028	672,275	287,005	198,140	324,845	809,990
Redemption of units Aggressive: 3,022,944 (2013 : 851,726), Moderate: 2,943,258 (2013 : 846,051), Conservative: 4,354,160 (2013 : 900,982)	(174,199)	(160,967)	(234,368)	(569,534)	(44,744)	(44,623)	(46,834)	(136,201)
	17,705	68,376	16,660	102,741	242,261	153,517	278,011	673,789
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(3,744)	(9,201)	(90)	(13,035)	(8,258)	(4,780)	(2,966)	(16,004)
Issue of bonus units (Aggressive: 150,712 units; Moderate: 95,104 units; Conservative: 64,363 units)	7,956	4,908	3,301	16,165	-	-	-	-
Issue of bonus units (Aggressive: 346,803 units; Moderate: 270,602 units; Conservative: 223,811 units)	20,628	15,181	12,372	48,181	-	-	-	-
Net realised gain on sale of investments	11,581	5,931	9,282	26,794	1,452	998	1,115	3,565
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)	47,622	23,730	31,555	102,907	12,302	4,331	6,777	23,410
Net Comprehensive income for the year / period	1,822	8,095	(1,524)	8,393	7,277	4,372	2,456	14,105
Total other comprehensive income for the year / period	61,025	37,756	39,313	138,094	21,031	9,701	10,348	41,080
Final distribution for the year ended June 30, 2013 Issue of bonus units (Aggressive: 150,712 units; Moderate: 95,104 units; Conservative: 64,363 units)	(7,956)	(4,908)	(3,301)	(16,165)	-	-	-	-
Interim distribution for the year ended June 30, 2014 Issue of bonus units (Aggressive: 346,803 units; Moderate: 270,602 units; Conservative: 223,811 units)	(20,628)	(15,181)	(12,372)	(48,181)	-	-	-	-
	(28,584)	(20,089)	(15,673)	(64,346)	-	-	-	-
Net assets at end of the year / period	330,020	255,369	341,276	926,665	255,034	158,438	285,393	698,865
	----- (Rupees) -----							
Net assets value per unit at beginning of the year / period	54.49	53.26	51.88		-	-	-	
Net assets value per unit at end of the year / period	60.16	56.62	55.68		54.49	53.26	51.88	

The annexed notes 1 to 26 form an integral part of these financial statements.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

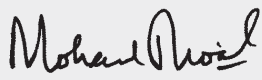
  
**Syed Amir Ali Zaidi**  
Director

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2014

Note	2014				For the period from April 10, 2013 to June 30, 2013			
	Aggressive	Moderate	Conservative	Total	Aggressive	Moderate	Conservative	Total
	----- (Rupees in '000) -----							
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Net income for the year / period	61,025	37,756	39,313	138,094	21,031	9,701	10,348	41,080
<b>Adjustments for:</b>								
Unrealised gain on re-measurement of investments at fair value through profit or loss (net)	(47,622)	(23,730)	(31,555)	(102,907)	(12,302)	(4,331)	(6,777)	(23,410)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(3,744)	(9,201)	(90)	(13,035)	(8,258)	(4,780)	(2,966)	(16,004)
	9,659	4,825	7,668	22,152	471	590	605	1,666
<b>(Increase) / decrease in assets</b>								
Investments (net)	(32,906)	(77,671)	(49,390)	(159,967)	(234,009)	(145,629)	(251,803)	(631,441)
Preliminary expenses and floatation costs	-	-	(757)	(757)	-	-	-	-
Prepayment and other receivables	61	49	78	188	(89)	(63)	(89)	(241)
	(32,845)	(77,622)	(50,069)	(160,536)	(234,098)	(145,692)	(251,892)	(631,682)
<b>(Decrease) / increase in liabilities</b>								
Payable to Al Meezan Investment Management Limited - Management Company	(550)	(1,058)	(706)	(2,314)	1,006	1,346	953	3,305
Payable to the Central Depository Company of Pakistan Limited - Trustee	7	8	12	27	24	12	24	60
Payable to Meezan Bank Limited	(21)	(39)	(32)	(92)	21	41	32	94
Payable to Securities and Exchange Commission of Pakistan	237	154	272	663	38	19	41	98
Accrued expenses and other liabilities	1,153	721	762	2,636	643	317	345	1,305
	826	(214)	308	920	1,732	1,735	1,395	4,862
<b>Net cash used in operating activities</b>	<b>(22,360)</b>	<b>(73,011)</b>	<b>(42,093)</b>	<b>(137,464)</b>	<b>(231,895)</b>	<b>(143,367)</b>	<b>(249,892)</b>	<b>(625,154)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Receipts against issuance of units	191,904	229,343	251,028	672,275	287,005	198,140	324,845	809,990
Payments against redemption of units	(176,102)	(163,733)	(233,209)	(573,044)	(42,582)	(40,720)	(46,824)	(130,126)
<b>Net cash inflow from financing activities</b>	<b>15,802</b>	<b>65,610</b>	<b>17,819</b>	<b>99,231</b>	<b>244,423</b>	<b>157,420</b>	<b>278,021</b>	<b>679,864</b>
Net (decrease) / increase in cash and cash equivalents during the year / period	(6,558)	(7,401)	(24,274)	(38,233)	12,528	14,053	28,129	54,710
Cash and cash equivalents at beginning of the year / period	12,528	14,053	28,129	54,710	-	-	-	-
Cash and cash equivalents at end of the year / period 4	5,970	6,652	3,855	16,477	12,528	14,053	28,129	54,710

The annexed notes 1 to 26 form an integral part of these financial statements.

  
**Mohammad Shoab, CFA**  
**Chief Executive**

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

  
**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 Financial Planning Fund of Funds (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 27, 2012 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund is registered as a Notified Entity under Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) issued through S.R.O.1203(I)/2008 on November 21, 2008. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shariah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to enable the unitholders to participate 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 guidelines. The Management Company 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.
- 1.3** The Fund is an open-end Shariah compliant Fund and an application for listing of units of the Fund has been made to Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Fund is an open-end Shariah compliant fund of funds Scheme that aims to generate returns on investment as per allocation plans (sub funds) namely Aggressive Plan, Moderate Plan and Conservative Plan, by investing in Shariah compliant income (Meezan Sovereign Fund) and equity (Meezan Islamic Fund) mutual funds in line with the risk tolerance of the investors. Investors of the fund may hold different types of allocation plans and may invest in any one or more of the available allocation plans. The management may also invest in other Collective Investments Schemes available to it with prior approval of SECP.

The investment policy of each allocation plan is as follows:

#### *Aggressive plan*

The Aggressive Allocation Plan is a Shariah compliant allocation plan under the Fund. It primarily aims to provide capital appreciation. It invests at least 65% of its net assets in Shariah compliant equity funds, while the remaining portion is allocated to Shariah compliant fixed income funds. This allocation plan is suitable for investors having a relatively higher risk tolerance and / or wish to save for long term.

#### *Moderate plan*

The Moderate Allocation Plan is a Shariah compliant allocation plan under the Fund. It primarily aims to provide a mix of capital appreciation and stable returns. It invests at least 45% of its net assets in Shariah compliant equity funds, while the remaining portion is allocated to Shariah compliant fixed income funds. This allocation plan is suitable for investors having a relatively moderate risk tolerance and / or wish to save for medium to long term.

### *Conservative plan*

The Conservative Allocation Plan is a Shariah compliant allocation plan under the Fund. It primarily aims to provide a stable returns. It invests at least 20% of its net assets in Shariah compliant equity funds, while the remaining portion is allocated to Shariah compliant fixed income funds. This allocation plan is suitable for investors having a relatively low risk tolerance and / or wish to save for short to medium term.

Each allocation plan will announce separate NAV which will rank Pari Passu according to the number of units of the respective allocation plans. The books and records of each Fund has been maintained separately.

- 1.5 Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund. The Fund property of different types of allocation plans shall be accounted for and maintained separately in books of accounts, which shall collectively constitute the Fund property of the Scheme.
- 1.6 The Management Company of the Fund has been given quality rating of AM2 by JCR-VIS Credit Rating Company Limited.

## **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 have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), then Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever, the requirements of the NBFC Rules, 2003 the NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules, 2003 the NBFC Regulations, 2008 and the said directives shall prevail.

### **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 Management Company 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 July 01, 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) Investments 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 financial assets are non-derivative 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. 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 equity are transferred to the 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 units of Funds is based on their Net Assets Value (NAV) 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.

### 3.1.7 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.

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

### 3.1.8 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.

### 3.2 Unitholders' fund

Unitholders' fund of each sub funds representing the units issued by each respective Fund separately, is carried at the redemption amount representing the investors' right to a residual interest in the respective sub Fund's net assets.

### 3.3 Issuance and redemption of units

Units issued are recorded at the offer price of each allocation plan, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price of each allocation plan represents the net assets value of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributor and the Management Company.

Units redeemed are recorded at the redemption price of each allocation plan prevalent on the date on which the distributors receive redemption application during business hours on that date. The redemption price represents the net assets value per unit as of close of business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### 3.4 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.

Each sub Funds 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 gain / (losses) held in the respective unitholder's funds in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unitholders. 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.

The element is recognised in the income statement to the extent that it is represented by income earned during the year and unrealised appreciation / (diminution) arising during the year on available for sale securities included in the distribution statement.

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

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, brokerage paid to the members of the stock exchange and other expenses. These costs are being amortised over a period of five years commencing from April 10, 2013 in accordance with the Trust Deed of the Fund and NBFC Regulations, 2008.

### **3.7 Net assets value per Unit**

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 allocation plan by the number of units in issue of the respective sub funds at the year end.

### **3.8 Taxation**

#### *Current*

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders.

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

#### *Deferred*

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

However, the Fund has availed tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealized, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.



### **3.9 Revenue recognition**

- (i) Gains / (losses) arising on sale of investments are included in the income statement 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.

### **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 Cash and cash equivalents**

Cash and cash equivalents are carried on 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.

### **3.12 Segment Reporting**

Operating segments are reported in the manner consistent with the internal reporting used by the investment committee. The investment committee of the Management Company makes the strategic resource allocation on behalf of the Fund. The Fund has determined the operating segment based on the requirements of the Trust Deed and reports reviewed by its investment committee for taking strategic decisions. Therefore, the operating segments are Aggressive, Moderate and Conservative. Segment wise assets, liabilities, revenues and operating results have been disclosed in the Statement of Assets and Liabilities and Income Statement.

### **3.13 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.

### **3.14 Distribution**

Distribution including bonus units are recognised in the year in which they are approved.

#### 4. Balances with Banks

		2014				2013
		Aggressive	Moderate	Conservative	Total	Total
Note		----- (Rupees in '000) -----				
Saving accounts	4.1	5,970	6,652	3,855	16,477	54,710

4.1 The balances in savings accounts bear expected profit which ranges from 5.00% to 8.75% (2013: 5.65% to 8.75%) per annum.

#### 5. INVESTMENTS

		2014				2013
		Aggressive	Moderate	Conservative	Total	Total
Note		----- (Rupees in '000) -----				
Investments - 'at fair value through profit or loss' - Held for trading	5.1	326,839	251,361	339,525	917,725	654,851

#### 5.1 Held for Trading - Units of mutual funds

Name of Investee Funds	2014					Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain as at June 30, 2014	Percentage of market value to total investments
	As at April 10, 2013	Purchases during the period	Bonus	Redemption during the period	As at June 30, 2014				
----- (Number of units) -----						----- (Rupees in '000) -----			
<b>Aggressive Allocation Plan</b>									
Meezan Islamic Fund	2,958,967	1,910,183	1,744,688	2,059,955	4,553,883	186,462	228,787	42,325	70.00
Meezan Sovereign Fund	1,206,429	1,210,797	137,306	612,146	1,942,386	92,755	98,052	5,297	30.00
<b>Total cost of investments</b>						<u>279,217</u>	<u>326,839</u>	<u>47,622</u>	<u>100</u>
<b>Moderate Allocation Plan</b>									
Meezan Islamic Fund	1,200,768	1,751,878	786,947	1,237,989	2,501,604	107,763	125,680	17,917	50.00
Meezan Sovereign Fund	1,468,730	1,923,283	161,285	1,063,587	2,489,711	119,868	125,681	5,813	50.00
<b>Total cost of investments</b>						<u>227,631</u>	<u>251,361</u>	<u>23,730</u>	<u>100</u>
<b>Conservative Allocation Plan</b>									
Meezan Islamic Fund	1,035,037	1,129,793	647,039	1,122,355	1,689,514	69,184	84,881	15,697	25.00
Meezan Sovereign Fund	3,798,177	3,413,704	437,799	2,605,238	5,044,442	238,786	254,644	15,858	75.00
<b>Total cost of investments</b>						<u>307,970</u>	<u>339,525</u>	<u>31,555</u>	<u>100</u>
<b>Total investments in units of mutual funds</b>									
Meezan Islamic Fund	5,194,772	4,791,854	3,178,674	4,420,299	8,745,001	363,409	439,348	75,939	47.87
Meezan Sovereign Fund	6,473,336	6,547,784	736,390	4,280,971	9,476,539	451,409	478,377	26,968	52.13
<b>Total cost of investments</b>						<u>814,818</u>	<u>917,725</u>	<u>102,907</u>	<u>100</u>
							<u>801,468</u>		

#### 6. PRELIMINARY EXPENSES AND FLOATATION COSTS

		2014				2013
		Aggressive	Moderate	Conservative	Total	Total
Note		----- (Rupees in '000) -----				
Opening balance		-	-	-	-	-
Cost incurred		-	-	955	955	45
Less: Amortisation during the year	6.1	-	-	(198)	(198)	(45)
Closing balance		-	-	757	757	-

- 6.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund, restricted to one percent of Pre-IPO Capital, and are being amortized over a period of five years commencing from the end of the initial offering period in accordance with the Trust Deed of the Fund.

**7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED  
(Al Meezan) - Management Company**

	Note	2014			2013
		Aggressive	Moderate	Conservative	Total
		----- (Rupees in '000) -----			
Management Fee	7.1	4	4	2	10
Profit payable to Pre-IPO		-	-	-	-
Payable to Al Meezan Investment Management Limited in respect of bank deposits		-	-	-	-
Sindh Sales Tax and Federal Excise Duty on Management Fee	7.2 & 7.3	6	7	7	20
Sales load		158	90	80	328
Sindh Sales Tax and Federal Excise Duty on Sales Load	7.2 & 7.3	288	187	158	633
		<b>456</b>	<b>288</b>	<b>247</b>	<b>991</b>
					3,305

- 7.1 Under the provisions of NBFC Regulations, 2008, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of one percent per annum on cash and cash equivalent for the year.
- 7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company 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 Management Company has been applied effective June 13, 2013. The Management Company 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 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 Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 0.24 million, Rs. 0.17 million and Rs. 0.14 million in Aggressive, Moderate and Conservative Plans respectively. Had the provision not being made, the Net Assets Value per unit of the Fund as at June 30, 2014 would have been higher by Rs. 0.04 per unit, Rs. 0.04 per unit and Rs. 0.02 per unit in Aggressive, Moderate and Conservative Plans respectively.

**8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - Trustee**

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 value of the Fund.

The remuneration of the Trustee for the year ended June 30, 2014 and 2013 has been calculated as per the following applicable tariff:

<b>Net assets</b>	<b>Tariff</b>
Up to 1 billion	0.10% per annum
Over 1 billion	Rs. 1 million plus 0.075% p.a. of Net Assets exceeding Rs. 1 billion

**9. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee at the rate of 0.095 percent of the average annual net assets of the Fund payable to SECP under regulation 62 read with Schedule II of NBFC Regulations, 2008.

**10. ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2014			2013
		Aggressive	Moderate	Conservative	Total
----- (Rupees in '000) -----					
Formation cost payable		-	-	-	45
Auditors' remuneration		74	46	85	99
Printing charges payable		10	6	11	25
Withholding tax payable		-	-	-	314
Provision for Workers' Welfare Fund	12	1,666	965	1,009	822
Others		46	21	2	-
		<u>1,796</u>	<u>1,038</u>	<u>1,107</u>	<u>1,305</u>

**11. AUDITORS' REMUNERATION**

	Note	2014			2013
		Aggressive	Moderate	Conservative	Total
----- (Rupees in '000) -----					
Statutory audit fee		76	46	88	99
Half Yearly review fees		32	19	37	-
Out of pocket expense		7	4	7	-
		<u>115</u>	<u>69</u>	<u>132</u>	<u>99</u>

## 12. WORKERS' WELFARE FUND

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 Honourable 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 Management Company as a matter of abundant caution has recognised WWF amounting to Rs. 1.67 million, Rs. 0.96 million and Rs. 1.01 million in Aggressive, Moderate and Conservative plans respectively, which includes Rs. 1.25 million, Rs. 0.77 million and Rs. 0.80 million pertaining to the current year and Rs. 0.42 million, Rs. 0.19 million and Rs. 0.21 million pertaining to prior years in Aggressive, Moderate and Conservative plans respectively. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.30 (0.50%), Rs. 0.21 (0.38%) and Rs. 0.16 (0.29%) in Aggressive, Moderate and Conservative plans respectively.

## 13. CONTINGENCIES AND COMMITMENTS

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

## 14. NUMBER OF UNITS IN ISSUE

14.1 The movement in number of units in issue during the year / period is as follows:

	2014		
	Aggressive	Moderate	Conservative
	----- (Number of units) -----		
Total units in issue at the beginning of the year	4,680,055	2,974,743	5,500,907
Add: units issued during the year	3,331,415	4,113,431	4,694,787
Add: bonus units issued during the year	497,515	365,706	288,174
Less: units redeemed during the year	(3,022,944)	(2,943,258)	(4,354,160)
Total units in issue at the end of the year	<u>5,486,041</u>	<u>4,510,622</u>	<u>6,129,708</u>

	2013		
	Aggressive	Moderate	Conservative
	----- (Number of units) -----		
Total units in issue at the beginning of the period	-	-	-
Add: units issued during the period	5,531,781	3,820,794	6,401,889
Less: units redeemed during the period	(851,726)	(846,051)	(900,982)
Total units in issue at the end of the period	<u>4,680,055</u>	<u>2,974,743</u>	<u>5,500,907</u>

**14.2** The Fund may issue the following classes of units:

<b>Class</b>	<b>Description</b>
--------------	--------------------

- |   |   |
|---|---|
| A | Units that shall be charged with no sales load. |
| B | Units that shall be charged with sales load.    |
| C | Units that shall be charged with back-end load. |

14.3 The Management Company of the Fund may issue the following types of units:

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unitholders shall also be the growth units.

**15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

The connected persons include Al Meezan Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, directors and officers of the Management Company, Al Meezan Mutual Fund, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Islamic Income Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - II, KSE Meezan Index Fund, Meezan Cash Fund, Meezan Sovereign Fund, Meezan Capital Preservation Fund-II and Meezan Capital Preservation Fund-III being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Gratuity and Unitholders holding 10% or more of the fund.

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 Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, 2003 and NBFC Regulations, 2008 and the Trust Deed respectively.

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

	2014			2013	
	Aggressive	Moderate	Conservative	Total	Total
------(Rupees in '000)-----					
<b>Al Meezan Investment Management Limited - Management Company</b>					
Management Fee payable	4	4	2	10	74
Profit payable to Pre-IPO	-	-	-	-	24
Payable to Al Meezan Investment Management Limited in respect of bank deposits	-	-	-	-	90
Sindh Sales Tax and Federal Excise Duty on Management Fee	6	7	7	20	13
Sales load payable	158	90	80	328	2,576
Sindh Sales Tax and Federal Excise Duty on Sales load payable	288	187	158	633	528
Issuance of 2,098,437 (2013: 2,000,000) units - Conservative Allocation Plan	-	-	116,832	116,832	103,760
<b>Meezan Bank Limited</b>					
Bank balance	5,909	6,402	3,783	16,094	35,419
Sales load payable	-	2	-	2	94
Profit Receivable	9	10	12	31	93
<b>Central Depository Company of Pakistan Limited - Trustee</b>					
Trustee Fee payable	31	20	36	87	60
<b>Directors and officers of the Management Company</b>					
Investment of 13,333 units (2013: 12,255 units) of Aggressive Allocation Plan	802	-	-	802	668
Investment of 11,037 units (11,605 units) of Moderate Allocation Plan	-	625	-	625	618
Investment of 10,492 units (10,200 units) of Conservative Allocation Plan	-	-	584	584	529
<b>Meezan Islamic Fund</b>					
Investment of 4,553,883 (2013: 2,958,967) units - Aggressive Allocation Plan	228,787	-	-	228,787	184,699
Investment of 2,501,604 (2013: 1,200,768) units - Moderate Allocation Plan	-	125,680	-	125,680	74,952
Investment of 1,689,514 (2013: 1,035,037) units - Conservative Allocation Plan	-	-	84,881	84,881	64,607
<b>Meezan Sovereign Fund</b>					
Investment of 1,942,386 (2013: 1,206,429) units - Aggressive Allocation Plan	98,052	-	-	98,052	61,612
Investment of 2,489,711 (2013: 1,468,730) units - Moderate Allocation Plan	-	125,681	-	125,681	75,008
Investment of 5,044,442 (2013: 3,798,177) units - Conservative Allocation Plan	-	-	254,644	254,644	193,973
<b>Unit Holders holding 10% or more units of the Fund</b>					
	-	-	-	-	50,856

For the  
period from  
April 10, 2013  
to June 30,  
2013

	2014				Total
	Aggressive	Moderate	Conservative	Total	
------(Rupees in '000)-----					
<b>Al Meezan Investment Management Limited</b>					
<b>- Management Company</b>					
Remuneration for the period	40	52	57	149	74
Sindh Sales Tax and Federal Excise Duty on Management Fee	13	17	19	49	13
Units issued: Nil (2013: 2,000,000) units	-	-	-	-	100,000
Bonus of 98,437 (2013:Nil) units	-	-	5,348	5,348	-
<b>Meezan Bank Limited</b>					
Profit on saving account	226	297	264	787	176
<b>Central Depository Company of Pakistan Limited - Trustee</b>					
Trustee fee	291	182	329	802	126
<b>Directors and officers of the Management Company</b>					
Issuance of Nil units (2013: 12,255 units) of Aggressive Allocation Plan	-	-	-	-	613
Issuance of 93 units (2013: 11,975 units) of Moderate Allocation Plan	-	5	-	5	638
Issuance of Nil units (2013: 10,200 units) of Conservative Allocation Plan	-	-	-	-	510
Redemption of 206 units (2013:Nil units) of Aggressive Allocation Plan	12	-	-	12	-
Redemption of 1,738 (2013:370 units) units of Moderate Allocation Plan	-	80	-	80	20
Redemption of 202 (2013:Nil units) units of Conservative Allocation Plan	-	-	11	11	-
Bonus of 1,284 (2013:Nil ) units - Aggressive Allocation Plan	74	-	-	74	-
Bonus of 1,077 (2013:Nil) units - Moderate Allocation Plan	-	59	-	59	-
Bonus of 495 (2013:Nil) units - Conservative Allocation Plan	-	-	27	27	-



For the  
period from  
April 10, 2013  
to June 30,  
2013

2014

	Aggressive	Moderate	Conservative	Total	Total
------(Rupees in '000)-----					
<b>Meezan Islamic Fund</b>					
Purchase of 1,910,183 (2013: 3,412,861) units - Aggressive Allocation Plan	95,048	-	-	95,048	198,782
Purchase of 1,751,878 (2013: 1,461,179) units - Moderate Allocation Plan	-	89,572	-	89,572	86,274
Purchase of 1,129,793 (2013: 1,209,988) units - Conservative Allocation Plan	-	-	55,494	55,494	70,065
Bonus of 1,744,688 (2013: Nil) units - Aggressive Allocation Plan	81,047	-	-	81,047	-
Bonus of 786,947 (2013: Nil) units - Moderate Allocation Plan	-	36,792	-	36,792	-
Bonus of 647,039 (2013: Nil) units - Conservative Allocation Plan	-	-	30,167	30,167	-
Redemption of 2,059,955 (2013: 453,894) units - Aggressive Allocation Plan	103,882	-	-	103,882	27,127
Redemption of 1,237,989 (2013: 260,411) units - Moderate Allocation Plan	-	61,439	-	61,439	15,958
Redemption of 1,122,355 (2013: 174,951) units - Conservative Allocation Plan	-	-	56,275	56,275	10,957
Transaction cost paid - Aggressive Allocation Plan	238	-	-	238	498
Transaction cost paid - Moderate Allocation Plan	-	224	-	224	216
Transaction cost paid - Conservative Allocation Plan	-	-	139	139	176
<b>Meezan Sovereign Fund</b>					
Purchase of 1,210,797 (2013: 1,367,273) units - Aggressive Allocation Plan	61,211	-	-	61,211	69,044
Purchase of 1,923,283 (2013: 1,745,401) units - Moderate Allocation Plan	-	97,433	-	97,433	88,365
Purchase of 3,413,704 (2013: 4,242,070) units - Conservative Allocation Plan	-	-	172,860	172,860	214,155
Bonus of 137,306 (2013: Nil) units - Aggressive Allocation Plan	6,901	-	-	6,901	-
Bonus of 161,285 (2013: Nil) units - Moderate Allocation Plan	-	8,105	-	8,105	-
Bonus of 437,799 (2013: Nil) units - Conservative Allocation Plan	-	-	21,996	21,996	-
Redemption of 612,146 (2013: 160,844) units - Aggressive Allocation Plan	31,043	-	-	31,043	8,142
Redemption of 1,063,587 (2013: 276,671) units - Moderate Allocation Plan	-	53,814	-	53,814	14,050
Redemption of 2,605,238 (2013: 443,893) units - Conservative Allocation Plan	-	-	131,972	131,972	22,575

## 16. FINANCIAL INSTRUMENTS BY CATEGORY

	2014				2013	
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total	Total
------(Rupees in '000)-----						
<b>Aggressive</b>						
<b>On balance sheet - financial assets</b>						
Balances with banks	5,970	-	-	-	5,970	12,528
Investments	-	326,839	-	-	326,839	246,311
Profit receivable on saving accounts with banks	27	-	-	-	27	89
	<b>5,997</b>	<b>326,839</b>	<b>-</b>	<b>-</b>	<b>332,836</b>	<b>258,928</b>
<b>On balance sheet - financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	456	456	1,006
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	31	31	24
Payable to Meezan Bank Limited	-	-	-	-	-	21
Payable on redemption and conversion of units	-	-	-	259	259	2,162
Accrued expenses and other liabilities	-	-	-	1,796	1,796	49
	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,542</b>	<b>2,542</b>	<b>3,262</b>
<b>Moderate</b>						
<b>On balance sheet - financial assets</b>						
Balances with banks	6,652	-	-	-	6,652	14,053
Investments	-	251,361	-	-	251,361	149,960
Profit receivable on saving accounts with banks	13	-	-	-	13	63
	<b>6,665</b>	<b>251,361</b>	<b>-</b>	<b>-</b>	<b>258,026</b>	<b>164,076</b>
<b>On balance sheet - financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	288	288	1,346
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	20	20	12
Payable to Meezan Bank Limited	-	-	-	2	2	41
Payable on redemption and conversion of units	-	-	-	1,137	1,137	3,903
Accrued expenses and other liabilities	-	-	-	1,038	1,038	21
	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,485</b>	<b>2,485</b>	<b>5,323</b>
<b>Conservative</b>						
<b>On balance sheet - financial assets</b>						
Balances with banks	3,855	-	-	-	3,855	28,129
Investments	-	339,525	-	-	339,525	258,580
Profit receivable on saving accounts with banks	10	-	-	-	10	89
	<b>3,865</b>	<b>339,525</b>	<b>-</b>	<b>-</b>	<b>343,390</b>	<b>286,798</b>
<b>On balance sheet - financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	247	247	953
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	36	36	24
Payable to Meezan Bank Limited	-	-	-	-	-	32
Payable on redemption and conversion of units	-	-	-	1,169	1,169	10
Accrued expenses and other liabilities	-	-	-	1,107	1,107	99
	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,559</b>	<b>2,559</b>	<b>1,118</b>

## 17. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

The risk management policy of the Fund aims to maximise the return attributable to the unitholders and seeks to minimise potential adverse effects on the Fund's financial performance.

Risks of the Fund are being managed by the 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, interest rate risk and currency risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, 2008 and the directives issued by the SECP.

Risks managed and measured by the Fund are explained below:

### 17.1 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, profit receivable on bank deposits, credit exposure arising as a result of profit accrual on bank deposits, dividends receivable on mutual fund units and receivable against sale of investments and investments in mutual funds.

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Further, all transactions in fund are executed only in underlying funds, 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.

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 June 30, 2013 is tabulated below:

	2014			2013	
	Aggressive	Moderate	Conservative	Total	Total
	------(Rupees in '000)-----				
<b>FINANCIAL ASSETS</b>					
Balances with banks	5,970	6,652	3,855	16,477	54,710
Profit receivable on saving accounts	27	13	10	50	241
Investment in mutual funds	326,839	251,361	339,525	917,725	654,851
	<u>332,836</u>	<u>258,026</u>	<u>343,390</u>	<u>934,252</u>	<u>709,802</u>

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

	2014			2013		
	Aggressive	Moderate	Conservative	Aggressive	Moderate	Conservative
	------(Rupees in '000)-----					
AA+	99	96	98	81	78	51
AA	1	4	2	19	22	49
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

None of the financial assets were considered to be past due or impaired as on June 30, 2014.

The Fund does not have any collateral against any of the aforementioned assets.

## 17.2 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 investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages the liquidity risk by investing assets in highly liquid financial assets.

In accordance with regulation 58(1)(k) of the NBFC Regulations, 2008 the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets of Aggressive, Conservative and Moderate Plans. However, no such borrowing has been obtained during the period.

Further, the Fund is also allowed in accordance with regulation 57 (10) of the NBFC Regulations, 2008 to defer redemption requests to the next dealing day, had such requests exceed ten percent of the total number of units in issue. However, no such defer redemption request has been exercised by the Fund during the period.

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

	Maturity upto				2014	2013
	Three months	Six months	One year	More than one year	Total	Total
------(Rupees in '000)-----						
<b>Aggressive</b>						
Payable to Al Meezan Investment Management Limited	456	-	-	-	456	1,006
Payable to Central Depository Company - Trustee	31	-	-	-	31	24
Payable to Meezan Bank limited	-	-	-	-	-	21
Payable on redemption and conversion of units	259	-	-	-	259	2,162
Accrued expenses and other liabilities	130	-	-	-	130	49
	<u>876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>876</u>	<u>3,262</u>
<b>Moderate</b>						
Payable to Al Meezan Investment Management Limited	288	-	-	-	288	1,346
Payable to Central Depository Company - Trustee	20	-	-	-	20	12
Payable to Meezan Bank limited	2	-	-	-	2	41
Payable on redemption and conversion of units	1,137	-	-	-	1,137	3,903
Accrued expenses and other liabilities	73	-	-	-	73	21
	<u>1,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,520</u>	<u>5,323</u>
<b>Conservative</b>						
Payable to Al Meezan Investment Management Limited	247	-	-	-	247	953
Payable to Central Depository Company - Trustee	36	-	-	-	36	24
Payable to Meezan Bank limited	-	-	-	-	-	32
Payable on redemption and conversion of units	1,169	-	-	-	1,169	10
Accrued expenses and other liabilities	98	-	-	-	98	99
	<u>1,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,550</u>	<u>1,118</u>

Units of the Fund are redeemable on demand at the option of the Unitholder. However, the Fund does not anticipate significant redemption of units.

### 17.3 Market Risk

#### 17.3.1 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry, environment and / or the economy in general. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unitholders 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 investment committee 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 NBFC Regulations, 2008.

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these financial statements. At June 30, the Fund's overall exposure to price risk is limited to the fair value of the respective debt and equity fund. The Fund manages its exposure to price risk by investing in equity and debt funds as per the trust deed and benchmarking the sector weighting to that of the KSE Meezan Index 30 index (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

### **17.3.2 Interest rate risk**

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which affect cash flows pertaining to debt instruments and their fair values. However, the Fund invest in income fund which are exposed to interest rate risk and which indirectly affect the interest rate risk of the Fund.

#### *Cash flow interest rate risk*

The Fund's interest rate risk arises from the balances in savings accounts. During the year ended June 30, 2014, the net income would have increased / (decreased) by Rs 0.06 million, Rs 0.07 million and Rs 0.04 million in Aggressive, Conservative and Moderate plan respectively. Had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

#### *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.

### **17.3.3 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.

## **18. UNITHOLDERS' FUND RISK MANAGEMENT**

The unitholders' fund is represented by redeemable units. These units are entitled to distribution and payment of a proportionate share, based on the Fund's net assets value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unitholders' Fund.

The Fund's objective when managing unitholders funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unitholders' and to maintain a strong base of assets under management.

The Fund has no restrictions on the subscription and redemption of units.

The Fund meets the requirement of sub-regulation 54(3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

In accordance with the risk management policies stated in the note 17, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 19. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a 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 or adverse terms.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date.

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 an identical assets or liabilities.
- Level 2: Inputs other than quoted prices included with in level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liabilities that are not based on observable market data (i.e., unobservable inputs).

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

	2014			Total
	Level 1	Level 2	Level 3	
<b>AGGRESSIVE</b>				
<b>Assets</b>	-----Rupees in '000-----			
Financial assets - 'at fair value through profit or loss'	326,839	-	-	326,839
<b>Moderate</b>				
<b>Assets</b>				
Financial assets - 'at fair value through profit or loss'	251,361	-	-	251,361
<b>Conservative</b>				
<b>Assets</b>				
Financial assets - 'at fair value through profit or loss'	339,525	-	-	339,525

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

	2013			Total
	Level 1	Level 2	Level 3	
<b>AGGRESSIVE</b>				
<b>Assets</b>	-----Rupees in '000-----			
Financial assets - 'at fair value through profit or loss'	246,311	-	-	246,311
<b>Moderate</b>				
<b>Assets</b>				
Financial assets - 'at fair value through profit or loss'	149,960	-	-	149,960
<b>Conservative</b>				
<b>Assets</b>				
Financial assets - 'at fair value through profit or loss'	258,580	-	-	258,580

## 20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company has distributed sufficient income of the Fund for the year ended June 30, 2014 as reduced by capital gains (whether realised or unrealised) to its unitholders.

## 21. PERFORMANCE TABLE

	2014		
	Aggressive	Moderate	Conservative
Net assets (Rupees in '000)	330,020	255,369	341,276
Net assets value / redemption price per unit as at			
June 30 (Rupees) (Ex Distribution)	60.16	56.62	55.68
Offer price per unit as at June 30 (Rupees)	61.78	57.76	56.43
Highest offer price per unit (Rupees)	65.66	61.21	58.10
Lowest offer price per unit (Rupees)	53.94	52.80	52.41
Highest redemption price per unit (Rupees)	63.94	60.00	57.33
Lowest redemption price per unit (Rupees)	52.51	51.76	51.71
Distribution (%)	8.50	7.80	4.10
Growth distribution (Rupees in '000)	7,956	4,908	3,301
Dates of distribution (Interim)	May 30, 2014	May 30, 2014	May 30, 2014
Growth distribution (Rupees in '000)	20,628	15,181	12,372
Total return (%)	22.10	17.30	12.60



	<b>2013</b>		
	<b>Aggressive</b>	<b>Moderate</b>	<b>Conservative</b>
Net assets (Rupees in '000)	255,034	158,438	285,393
Net assets value / redemption price per unit as at June 30 (Rupees) (Ex Distribution)	52.79	51.61	51.28
Offer price per unit as at June 30 (Rupees)	54.22	52.65	51.97
Highest offer price per unit (Rupees)	57.88	55.39	53.08
Lowest offer price per unit (Rupees)	50.39	50.84	50.33
Highest redemption price per unit (Rupees)	56.35	54.29	52.38
Lowest redemption price per unit (Rupees)	49.06	49.83	49.67
Distribution (%)	3.40	3.30	1.20
Dates of distribution (annual)	July 08, 2013	July 08, 2013	July 08, 2013
Growth distribution (Rupees in '000)	7,956	4,908	3,301
Total return (%)	9.00	6.50	3.80

Investment portfolio composition of the Fund is as described in note 5.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 17.

## 22. INVESTMENT COMMITTEE MEMBERS

22.1 Details of members of investment committee of the Fund are as follows:

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty four years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Eighteen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Ten years
Mr. Zain Malik	Senior Manager (Fund management department)	CFA level II / BBA	Five years
Mr. Ahmed Hasan	AVP Investments	CFA / MBA	Seven years
Mr. Gohar Rasool	Senior Manager (Fund management department)	MBBS	Seven years

The Fund manager of the Fund is Mr. Gohar Rasool. Other Funds being managed by the Fund manager are KSE Meezan Index Fund and AI Meezan Mutual Fund.

## 23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein				
		July 08, 2013	Aug 23, 2013	Oct 25, 2013	Feb 11, 2014	Apr 29, 2014
Mr. Ariful Islam	Chairman	No	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	No	Yes	No
Mr. Salman Sarwar Butt	Director	Yes	Yes	Yes	Resigned	Resigned
Mr. Tasnimul Haq Farooqui	Director	Yes	No	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes

## 24. PATTERN OF UNITHOLDING

	2014			2013		
	Number of investors	Investment amount	Percentage of total investment	Number of investors	Investment amount	Percentage of total investment
	<b>Aggressive</b>					
	----- (Rupees in '000) -----		%	----- (Rupees in '000) -----		%
Individuals	309	129,117	39.12	180	94,868	37.20
Retirement funds	4	96,756	29.32	3	75,406	29.57
Others	2	104,147	31.56	2	84,760	33.23
Total	<u>315</u>	<u>330,020</u>	<u>100</u>	<u>185</u>	<u>255,034</u>	<u>100</u>
	<b>Moderate</b>					
	----- (Rupees in '000) -----		%	----- (Rupees in '000) -----		%
Individuals	436	193,170	75.64	234	141,014	89.00
Retirement funds	2	26,533	10.39	-	-	-
Others	4	35,666	13.97	2	17,424	11.00
Total	<u>442</u>	<u>255,369</u>	<u>100</u>	<u>236</u>	<u>158,438</u>	<u>100</u>
	<b>Conservative</b>					
	----- (Rupees in '000) -----		%	----- (Rupees in '000) -----		%
Individuals	319	199,753	58.53	166	147,646	51.73
Associated company	1	116,832	34.24	1	103,762	36.36
Others	4	24,691	7.23	5	33,985	11.91
Total	<u>324</u>	<u>341,276</u>	<u>100</u>	<u>172</u>	<u>285,393</u>	<u>100</u>


**25 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 28, 2014, by the Board of Directors of the Management Company.

**26 GENERAL**

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

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

  
**Mohammad Shoaib, CFA**  
**Chief Executive**

  
**Syed Amir Ali Zaidi**  
**Director**

## PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2014

Units held by	Aggressive		Moderate		Conservative	
	Units Held	%	Units Held	%	Units Held	%
<b>Associated Companies</b>						
Al Meezan Investment Management Limited	-	-	-	-	2,098,437	34.23%
<b>Chief Executive</b>						
Mr. Mohammad Shoaib, CFA	11,060	0.20%	11,037	0.24%	10,492	0.17%
<b>Executives</b>	2,273	0.04%	-	-	-	-
Individuals	2,144,081	39.08%	3,400,936	75.40%	3,577,297	58.36%
Retirement Funds	1,608,407	29.32%	468,662	10.39%	-	-
Other Corporate Sector Entities	1,720,221	31.36%	629,987	13.97%	443,481	7.24%
	<b>5,486,041</b>	<b>100.00%</b>	<b>4,510,622</b>	<b>100.00%</b>	<b>6,129,708</b>	<b>100%</b>





# Meezan Capital Protected Fund II

The objective of this fund is to provide investors 100% protection of their capital while offering competitive returns by participating in the equity market.



# FUND INFORMATION

## MANAGEMENT COMPANY

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi 74400, Pakistan.  
Phone: (9221) 35630722-6, 111-MEEZAN  
Fax: (9221) 35676143, 35630808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Moin M. 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. Mohammad Shoaib, CFA	Chief Executive	

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S., Main Sharah-e-Faisal, Karachi.

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Dubai Islamic Bank Pakistan Limited  
Habib Metropolitan Bank Limited - Islamic Banking  
Meezan Bank Limited  
Bank Al Falah Limited - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
3rd & 4th Floor, 68-C, Lane - 13, Bokhari Commercial Area Phase - VI, DHA Karachi  
Phone: (9221) 35156191-94 Fax: (9221) 35156195  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
Meezan House  
C-25, Estate Avenue, SITE, Karachi.  
Phone: 38103538 Fax: 36406017  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



## REPORT OF THE FUND MANAGER

Meezan Capital Protected Fund II (MCPF-II) is an open end capital protected fund investing in Shariah compliant fixed income securities and listed equity securities. The Capital Protection Segment is invested in Government of Pakistan Ijarah Sukuks, while the Investment Segment is invested in listed equity securities.

The objective of MCPF-II is to pay investors, with certain conditions, their Principal Investment and to provide them with a high level of total return over the life of the Fund in a Shariah compliant manner.

### Strategy, Investment Policy and Asset Allocation

The benchmark of MCPF-II is the rate of return on Bank Deposits for three Islamic Banks and KMI-30 in weightages of the Capital Protection and Investment Segments of the Fund respectively. The Fund Manager, Al Meezan Investment Management Limited, manages the fund with an aim to preserve investor's capital and provide them with high returns through investments in listed equity securities.

### Asset Allocation

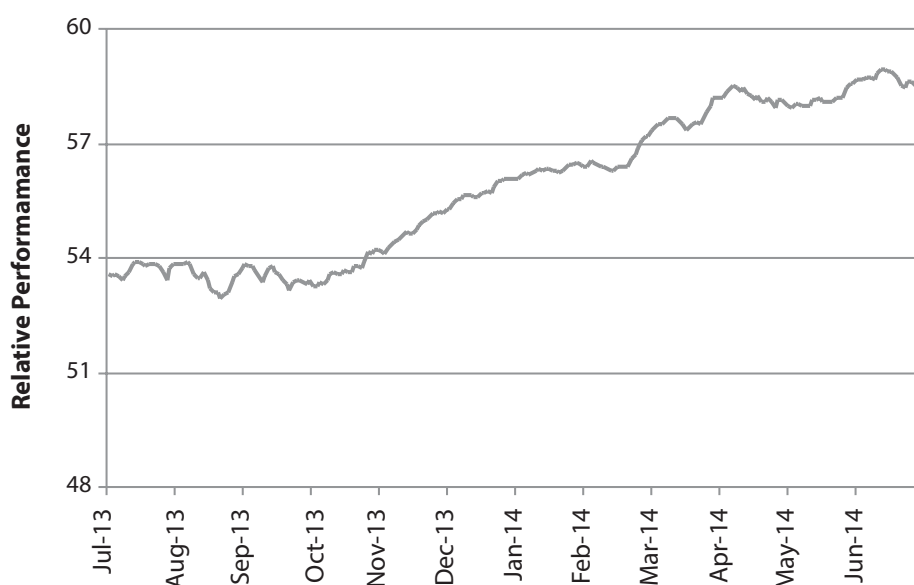
As on June 30, 2014, the fund's equity exposure was 18.4%, while 62.4% of the Net Assets is invested in Government of Pakistan Ijarah Sukuks.

### Performance Review

During the fiscal year 2014, Meezan Capital Protected Fund II (MCPF-II) provided a return of 12.09% to its investors.

Meezan Capital Protected Fund II posted a total income of Rs. 72 million in the fiscal year 2014 as compared to Rs. 80 million last year. Total income comprise mainly of Profit on GOP Ijara Sukuks, realized gains and unrealized gain on investments of Rs. 32 million, 10 million and Rs. 19 million respectively. Dividend income contributed Rs. 4 million to the income, while profit on savings account at banks amounted to Rs. 5 million. After accounting for expenses of Rs. 14 million and an element of loss and capital losses included in prices of units issued and less those in units redeemed of Rs. 0.5 million, the Fund posted a net profit of Rs. 57 million. The net assets of the Fund as at June 30, 2014 were Rs. 539 million as compared to Rs. 506 million at the end of last year.

	<b>MCPF II</b>
Net Asset Value (NAV) as on June 30, 2013	58.19
Net Asset Value (NAV) as on June 30, 2014 (Dividend Adjusted)	52.92
Return During the Period	<b>12.09%</b>



### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable / welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2014 an amount of Rs. 0.085 million was accrued as charity payable.

### Distributions

The interim distribution by the Fund during the fiscal year ended June 30, 2014 was Rs. 5.65 per unit (11.3%). Total distribution made by the fund was Rs. 52 million.

### Breakdown of unit holdings by size:

(As on June 30, 2014)

Range (Units)	No. of investors
1 - 9,999	107
10,000 - 49,999	76
50,000 - 99,999	10
100,000 - 499,999	5
500,000 and above	4
<b>Total</b>	<b>202</b>



**Meezan Bank**  
The Premier Islamic Bank

**Report of the Shari'ah Advisor – Meezan Capital Protected Fund-II**

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) Illiquid assets to total assets, (iv) Investment in non- *Shari'ah* compliant activities to Total assets (v) *Shari'ah* Non Compliant Income to Gross Revenue and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *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 MCPF-II in light of *Shari'ah* requirements. Following is a list of the top investments of MCPF-II 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
Lucky Cement	Cement Manufacturer	12.13	0.06	0.01	79.8	-42.49	299.87
Nishat Mills Ltd	Textile Products Manufacturer	27.32	19.71	1	67.15	-4.22	127.24
Fauji Cement Company Limited	Cement Manufacturer	32.74	1.15	0.56	92.16	-8.54	15.95
Pakistan State Oil Company Limited	Oil & Gas Distribution	27.06	12.74	1.05	31.51	-136.47	332.22

Page 1 of 2

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



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
The Hub Power Co. Ltd	Electricity	33.01	0	0.09	51.76	-35	60.72
Oil and Gas Development Co***	Distribution of Oil & Gas	0	41.49	6.01	34.65	44.55	276.36

\* 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.

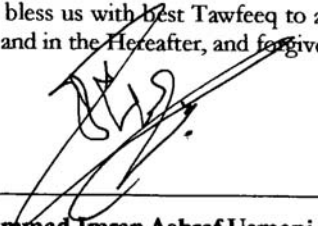
\*\*\* On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and 'Non Compliant Investments to Total Investments' ratio.

- ii. The capital protection element of the fund is covered through Murabaha transaction of Shares and Sukuks with Meezan bank. Documents and procedure of this arrangement have been evaluated by us and found to be in compliance with the principles of *Shari'ah*. The capital is protected through structure and not guaranteed.
- iii. On the basis of information provided by the management, all operations of MCPF-II 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 MCPF-II 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 0.08 million was created and an amount of Rupees 0.04 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  
*Shari'ah* Advisor

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



**TRUSTEE REPORT TO THE UNITHOLDERS**

**MEEZAN CAPITAL PROTECTED FUND-II**

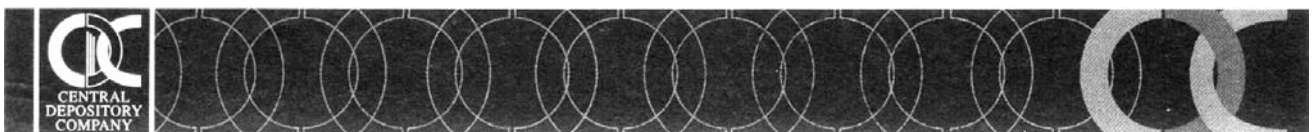
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Capital Protected Fund-II (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company 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 following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 19, 2014



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Limited (Formerly Karachi Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Management Company has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Moin M. Fudda
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on February 11, 2014 & April 29, 2014, which were filled up by the directors within 30 days. As required under clause (xi) of CCG regulation 35, all the relevant documents were circulated to the director and orientation will be conducted in forthcoming board of directors meeting. Further, as required under clause (v) of CCG regulation 35, mechanism for annual evaluation has been put in place and annual board's performance evaluation will be carried out in forthcoming year.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' as at June 30, 2014.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unitholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members, all the three members are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of four members including CEO. All the other members, including chairman of the committee, are non-executive directors.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company / units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the NAV of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

---

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 28, 2014



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

**Review Report to the Unitholders' of Meezan Capital Protected Fund II ("the Fund")  
on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") of the Fund for the year ended 30 June 2014 to comply with the requirements of the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of Code. 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 Code.


As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Fund's corporate governance procedures and risks.

The Code requires the Management Company of the Fund to place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured this compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2014.

**Date: 28 August 2014**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.





**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## **Independent Auditors' Report to the Unitholders**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Capital Protected Fund - II** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2014, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs 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.

### *Emphasis of Matter*

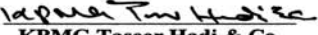
We draw attention to note 1.6 to the accompanying financial statements which states that the Fund has matured on August 15, 2014. Accordingly, the accompanying financial statements are not prepared on the going concern basis. Our opinion is not qualified in respect of this matter.

### *Report on Other Legal and Regulatory Requirements*

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**Date: 28 August 2014**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Muhammad Nadeem

and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.


# Statement of Assets And Liabilities

As At June 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>Assets</b>			
Balances with banks	4	339,245	14,686
Investments	5	194,836	486,718
Deposit and other receivables	6	2,849	6,169
Dividend receivable		134	72
Receivable against sale of investments		21,861	32
Preliminary expenses and floatation costs	7	92	814
<b>Total assets</b>		<b>559,017</b>	<b>508,491</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8	1,949	779
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	57	54
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	392	356
Payable against purchase of investments		15,403	-
Accrued expenses and other liabilities	11	2,286	1,406
<b>Total liabilities</b>		<b>20,087</b>	<b>2,595</b>
<b>Net assets</b>		<b>538,930</b>	<b>505,896</b>
<b>Contingencies and commitments</b>	12		
<b>Unitholders' fund (as per statement attached)</b>		<b>538,930</b>	<b>505,896</b>
		(Number of units)	
<b>Number of units in issue</b>	16	<b>10,184,767</b>	<b>8,693,675</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>52.92</b>	<b>58.19</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

For Al Meezan Investment Management Limited  
(Management Company)



Mohammad Shoaib, CFA  
Chief Executive



Syed Amir Ali Zaidi  
Director


# INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
(Rupees in '000)			
<b>Income</b>			
Net realised gain on sale of investments		10,138	21,356
Dividend income		4,303	5,295
Profit on savings accounts with banks		5,253	2,564
Profit on Government of Pakistan (GoP) Ijarah Sukuk		32,051	35,292
Back end load		845	-
Other income		176	180
		<b>52,766</b>	64,687
Unrealised gain on re-measurement of investments - 'fair value through profit or loss' (net)	5.2	19,125	15,156
<b>Total income</b>		<b>71,891</b>	79,843
<b>Expenses</b>			
Remuneration to Al Meezan - Investment Management Limited - Management Company	8.1	7,673	7,074
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	2,620	1,192
Remuneration to Central Depository Company - Trustee	9	669	686
Annual fee to Securities and Exchange Commission of Pakistan	10	392	356
Auditors' remuneration	14	372	395
Fees and subscription		25	18
Amortisation of preliminary expenses and floatation costs	7	722	722
Charity expense		82	99
Amortisation of premium - GoP Ijarah Sukuks		217	879
Securities transaction cost		226	355
Legal and professional charges		-	175
Bank and settlement charges		26	27
Provision for Workers' Welfare Fund (WWF)	13	1,165	665
Printing charges		101	100
<b>Total expenses</b>		<b>14,290</b>	12,743
<b>Net income from operating activities</b>		<b>57,601</b>	67,100
Element of Loss and capital losses included in prices of units issued less those in units redeemed (net)		(524)	(302)
<b>Net income for the year before taxation</b>		<b>57,077</b>	66,798
<b>Taxation</b>	22	-	-
<b>Net income for the year after taxation</b>		<b>57,077</b>	66,798
<b>Items that can be reclassified to income statement in subsequent periods</b>			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	5.1	1,130	-
<b>Total comprehensive income for the year</b>		<b>58,207</b>	66,798

The annexed notes 1 to 30 form an integral part of these financial statements.

For Al Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoaib, CFA  
Chief Executive

  
Syed Amir Ali Zaidi  
Director


# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Undistributed income brought forward		
- Realised	<b>55,604</b>	50,294
- Unrealised	<b>15,156</b>	2,477
	<b>70,760</b>	52,771
Final distribution on July 08, 2013 for the year ended June 30, 2013		
- bonus units @ 11.8% (Rs. 5.90 per unit) (June 30, 2012 @ Rs. 6.25 per unit)	<b>(51,293)</b>	(48,809)
Interim distribution on May 30, 2014 for the year ended June 30, 2014		
- bonus units @ 11.3% (Rs. 5.65 per unit) (June 30, 2013: Nil)	<b>(51,989)</b>	-
Net income for the year	<b>57,077</b>	66,798
Element of income and capital gains included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)	<b>139</b>	-
Undistributed income carried forward	<b>24,694</b>	70,760
Undistributed income carried forward		
- Realised	<b>5,569</b>	55,604
- Unrealised	<b>19,125</b>	15,156
	<b>24,694</b>	70,760

The annexed notes 1 to 30 form an integral part of these financial statements.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director


## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Net assets at beginning of the year	<b>505,896</b>	443,245
Redemption of 481,041 units (2013: 82,124 units)	<b>(25,697)</b>	(4,449)
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)	<b>524</b>	302
Issue of 1,972,133 bonus units for the year ended June 30, 2014 (June 30, 2012: 966,327 bonus units)	<b>103,282</b>	48,809
Net realised gain on sale of investments	<b>10,138</b>	21,356
Unrealised appreciation in the value of investments (net)	<b>20,255</b>	15,156
Net other income for the year	<b>27,814</b>	30,286
Total other comprehensive income for the year	<b>58,207</b>	66,798
Final distribution on July 08, 2013 for the year ended June, 30 2013: - Issue of 980,927 bonus units for the year ended June 30, 2013 (June 30, 2012: 966,327 bonus units)	<b>(51,293)</b>	(48,809)
Interim distribution on May 30, 2014 for the year ended June 30, 2014: - Issue of 991,206 bonus units for the year ended June 30, 2014 (June 30, 2013: Nil units)	<b>(51,989)</b>	-
	<b>(103,282)</b>	(48,809)
Net assets at end of the year	<b>538,930</b>	505,896
	(Rupees)	
Net assets value per unit at beginning of the year	<b>58.19</b>	56.76
Net assets value per unit at end of the year	<b>52.92</b>	58.19

The annexed notes 1 to 30 form an integral part of these financial statements.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

# CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	57,077	66,798
<b>Adjustments for:</b>		
Unrealised gain on re-measurement of investments - 'fair value through profit or loss' (net)	(19,125)	(15,156)
Amortisation of preliminary expenses and floatation costs	722	722
Amortisation of premium - GoP Ijarah Sukuks	217	879
Element of loss and capital losses included in in prices of units issued less those in units redeemed (net)	524	302
	<b>39,415</b>	53,545
<b>Decrease / (increase) in assets</b>		
Investments - net	311,920	(53,968)
Dividend receivable	(62)	57
Receivable against sale of investments	(21,829)	(32)
Deposit and other receivables	3,320	(331)
	<b>293,349</b>	(54,274)
<b>Increase in liabilities</b>		
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	1,170	122
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	3	(4)
Payable to Securities and Exchange Commission of Pakistan (SECP)	36	53
Payable against purchase of investments	15,403	(1,930)
Accrued expenses and other liabilities	880	295
	<b>17,492</b>	(1,464)
<b>Net cash from / (used in) operating activities</b>	<b>350,256</b>	(2,193)
Preliminary expenses and floatation costs paid	-	-
<b>Net cash from / (used in) operating activities</b>	<b>350,256</b>	(2,193)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt from issuance of units	-	-
Payments against redemption of units	(25,697)	(4,449)
<b>Net cash used in financing activities</b>	<b>(25,697)</b>	(4,449)
Net cash inflow / (outflow) during the year	324,559	(6,642)
Cash and cash equivalents at beginning of the year	14,686	21,328
Cash and cash equivalents at end of the year	<b>339,245</b>	14,686

The annexed notes 1 to 30 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA**  
Chief Executive



**Syed Amir Ali Zaidi**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Capital Protected Fund-II (the Fund) was established under a Trust Deed executed between Al Meezan as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was executed on May 12, 2011 and was approved by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at Ground Floor, Block B, Finance and Trade Centre, Shariah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The Fund is a capital protected fund with an objective to pay unitholders, subject to certain conditions, their principal investment at maturity and to provide them with high level of total return over the life of the Fund in a Shariah compliant manner. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah guidelines. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3 The Fund is an open-end fund with maturity of three years and six weeks and is listed on the Islamabad Stock Exchange. The issuance of units has been discontinued since August 15, 2011. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The Management Company has been given a quality rating of AM2 and the stability rating of the Fund is AA(cpf) given by JCR - VIS.
- 1.5 Title to the assets of the Fund are held in the name of Central Depository Company Limited of Pakistan as a Trustee.
- 1.6 According to the offering documents dated June 24, 2011, the Fund has ceased to exist (mature) on August 15, 2014. Resultantly, these financial statements have not been prepared on a going concern basis. All financial assets and financial liabilities of the Fund are stated at their fair values.

## 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 have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, 2003, the NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules, 2003, the NBFC Regulations, 2008 and the said directives shall prevail.

## **2.2 Basis of measurement**

These financial statements have been prepared on the basis stated in note 1.6.

## **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 Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experiences, including expectation 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)
- (c) Recognition of provision for Workers' Welfare Fund (note 13)
- (d) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7)

## **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 July 01, 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 the 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 up to 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 at 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 asset or financial liability 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 the Income Statement.

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

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

### **3.1.5 Fair value measurement principles**

#### *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 / units of funds is based on their price quoted on the Karachi Stock Exchange at the reporting date without any deduction for estimated future selling costs.

Financial assets and financial liabilities are priced at their fair 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 expire 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.

### **3.1.8 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.

### **3.2 Unitholders' fund**

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### **3.3 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net asset value of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application during business hours on that date. The redeemed price represents the net asset value per unit, as of the close of business day, less back end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

An equalisation account called 'element of income / (loss) and capital gains / (losses)' included in prices of units 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 unitholder's funds in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unitholders. 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.

The element is recognised in the Income Statement to the extent that it is represented by income earned during the year and unrealised appreciation / (diminution) arising during the year on 'available for sale' securities is included in the Distribution Statement.

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

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and includes underwriting commission, brokerage paid to members at the stock exchange and other expenses. These costs are being amortised over a period of three years and six weeks commencing from July 5, 2011 in accordance with the requirements of the NBFC regulations.

### **3.7 Net assets value per unit**

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

### **3.8 Taxation**

#### *Current*

The income of the Fund is exempt from income tax under clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the year as the Fund has availed this exemption.

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

#### *Deferred*

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

However, the Fund has availed the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

### **3.9 Revenue recognition**

- (i) Gains / (losses) arising on sale of investments are included in Income Statement currently and are recognised on the date at which the transaction takes place.
- (ii) Profit on bank deposit is recognised on time proportion basis using effective yield method.
- (iii) 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.
- (iv) Income on sukuk certificates, placements and government securities is recognized on a time proportionate basis using effective yield method.

### **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 Segment Reporting

Operating segments are reported in the manner consistent with the internal reporting used by the investment committee. The investment committee of the Management Company makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the requirements of the Trust Deed and reports reviewed by its investment committee for taking strategic decisions.

### 3.14 Distribution

Distribution including bonus units are recognised in the year in which they are approved.

	Note	2014	2013
(Rupees in '000)			
<b>4. BALANCES WITH BANKS</b>			
On savings accounts	4.1	339,221	14,480
On current accounts		24	206
		<b>339,245</b>	<b>14,686</b>

4.1 The balances in savings accounts have an expected profit ranging from 5.00% to 7.53% per annum. (2013: 5.00% to 9.05% per annum).

	Note	2014	2013
(Rupees in '000)			
<b>5. INVESTMENTS</b>			
Investments - 'available for sale'	5.1	53,130	355,855
Investments - 'at fair value through profit or loss'			
- Held for trading	5.2	141,706	130,863
		<b>194,836</b>	<b>486,718</b>

## 5.1 Investments available for sale

Name of the Issuer	Maturity date	Profit rate	As at July 01, 2013	Purchases during the year	Sales / redemptions during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014 (note 5.1.5)	Unrealised gain / (loss) as at June 30, 2014	Percentage of market value of total investment
"GoP Ijarah Sukuk Certificates - VIII"	May 16, 2014	Weighted Average 6 months T-Bills	3,030	-	3,030	-	-	-	-	-
"GoP Ijarah Sukuk Certificates - IX (note 5.1.1)"	December 26, 2014	Weighted Average 6 months T-Bills	220	-	-	220	22,000	22,281	281	11.44
"GoP Ijarah Sukuk Certificates - XII (note 5.1.1)"	June 28, 2015	Weighted Average 6 months T-Bills	300	-	-	300	30,000	30,849	849	15.83
<b>Total cost of investment</b>							<b>52,000</b>	<b>53,130</b>	<b>1,130</b>	
								<b>52,000</b>		

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

5.1.2 For the purpose of capital protection, the Fund has allocated 75.5% of the initial fund size to the capital protected segment. In this respect the Fund has provided capital protection by placing the assets of the segment in GoP Ijarah sukuks and islamic banks for the period July 5, 2011 to August 3, 2011. For the remaining period, from August 4, 2011 to June 30, 2013, the Fund had invested the deposits placed in the banks in GoP Ijarah sukuks.

5.1.3 The remaining assets of the Fund are allocated to investment segment (note 15).

5.1.4 The duration of the capital protection segment is 3 years and 6 weeks from the first day of initial offering period.

5.1.5 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 September 19, 2013 issued by the Securities and Exchange Commission of Pakistan.

**Note**                      **2014**                      **2013**  
**(Rupees in '000)**

## 5.2 Investments 'at fair value through profit or loss' (Held for trading)

Shares of listed companies	5.2.1	<b>100,254</b>	90,863
GoP Ijarah Sukuks	5.2.2	<b>41,452</b>	40,000
		<b>141,706</b>	130,863



## 5.2.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2013	Purchases during the year	Bonus 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) as at June 30, 2014	Percentage of market value of total investment
	-----Number of shares-----					----- (Rupees in '000) -----			%
<b>Sector / Companies</b>									
<b>Construction and Materials (Cement)</b>									
DG Khan Cement Company Limited	401	85,600	-	3,500	82,501	7,247	7,257	10	3.72
Fauji Cement Company Limited	-	266,000	-	70,000	196,000	2,944	3,771	827	1.94
Lucky Cement Limited	42,048	55,000	-	40,000	57,048	16,878	23,407	6,529	12.01
Pioneer Cement Limited	-	10,000	-	-	10,000	470	467	(3)	0.24
									17.91
<b>Electricity</b>									
Hub Power Company Limited	29,870	63,000	-	18,000	74,870	4,570	4,398	(172)	2.26
Pakgen Power Limited	-	40,000	-	40,000	-	-	-	-	-
									2.26
<b>Oil and gas</b>									
Oil and Gas Development Company Limited	41,100	44,000	-	55,000	30,100	7,714	7,864	150	4.04
Pakistan Petroleum Limited	38,550	-	6,110	44,000	660	116	148	32	0.08
Pakistan Oil Fields Limited	20,000	29,250	-	20,000	29,250	15,272	16,798	1,526	8.62
Pakistan State Oil Company Limited	73,137	28,300	3,743	64,000	41,180	12,525	16,013	3,488	8.22
National Refinery Limited	-	10,000	-	-	10,000	2,225	2,154	(71)	1.11
Attock Petroleum Limited	5,400	-	1,080	-	6,480	3,030	3,822	792	1.96
									24.03
<b>Fixed Line Telecommunication</b>									
Pakistan Telecommunication Company Limited 'A'	144,190	65,000	-	89,000	120,190	3,080	3,061	(19)	1.57
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Company Limited	135,480	-	-	135,480	-	-	-	-	-
Fauji Fertilizer Company Limited	45,600	-	-	45,600	-	-	-	-	-
ICI Pakistan Limited	2,641	35,000	-	12,000	25,641	5,573	10,009	4,436	5.14
									5.14
<b>General Industrials</b>									
Tri-Pack Films Limited	5,000	-	-	5,000	-	-	-	-	-
<b>Personal Goods</b>									
Nishat Mills Limited	32,000	-	-	23,000	9,000	848	1,007	159	0.52
<b>Food Producers</b>									
Engro Foods Limited	60,763	50,000	-	110,000	763	89	78	(11)	0.04
<b>Total</b>						<b>82,581</b>	<b>100,254</b>	<b>17,673</b>	
<b>Total cost of investments</b>							<b>76,994</b>		

5.2.1.1 All shares have a face value of Rs 10 each.

## 5.2.2 GoP Ijarah Sukuks

Name of the issuer	Maturity date	Profit rate	As at July 01, 2013	Purchases during the year	Bonus issue	Sale / redemptions during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised loss as at June 30, 2014	Percentage of market value of total investment
	-----Number of certificates-----							----- (Rupees in '000) -----			%
Sukuk Certificates GoP Ijarah Sukuk Certificates - XIV (note 5.1.1) <sup>a</sup>	March 28, 2016	Weighted average 6 months T-Bills	400	-	-	-	400	40,000	41,452	1,452	21.28
<b>Total</b>								<b>40,000</b>	<b>41,452</b>	<b>1,452</b>	
<b>Total cost of investments</b>									<b>40,000</b>		

6. DEPOSIT AND OTHER RECEIVABLES	Note	2014	2013
(Rupees in '000)			
Security deposit		100	100
Profit receivable on saving accounts with banks		1,687	1,469
Profit receivable on GoP Ijarah Sukuks		1,062	4,600
		<b>2,849</b>	<b>6,169</b>
7. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance		814	1,536
Less: Amortisation during the year	7.1	722	722
Closing balance		<b>92</b>	<b>814</b>

7.1 Preliminary expenses and floatation costs represent expenditures incurred prior to the commencement of the operations of the Fund, restricted to one percent of Pre-IPO capital, and are being amortised over a period of three years and six weeks commencing from the end of the initial offering period in accordance with the requirements of the Trust Deed of the Fund and NBFC Regulation, 2008.

8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - Management Company	Note	2014	2013
(Rupees in '000)			
Management Fee	8.1	658	620
Sindh Sales Tax and FED on management fee	8.2 & 8.3	1,291	159
		<b>1,949</b>	<b>779</b>

8.1 Under the provisions of NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of three percent per annum of average annual net assets invested under the investment segment and one percent per annum of average annual net assets invested under the capital protected segment. However, the Fund has set a threshold of 1.5 percent per annum of the average annual net assets with respect to remuneration to the management company.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16 percent on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 01, 2011.

8.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company 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 and the Honorable 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 Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 1.02 million. 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 0.10 per unit.

## 9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - Trustee

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 average daily net assets value of the Fund. The remuneration of the Trustee has been calculated in accordance with the applicable tariff of 0.13 percent per annum of average daily net assets value of the fund.

## 10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to the SECP at the rate of 0.075 percent of the average annual net assets of the Fund under regulation 62 read with Schedule II of NBFC Regulations, 2008.

Note	2014	2013
------	------	------

(Rupees in '000)

## 11. ACCRUED EXPENSES AND OTHER LIABILITIES

Audit fee payable		302	260
Printing charges payable		112	96
Charity payable	11.1	42	210
Provision for WWF	13	1,830	665
Credit rating fee		-	175
		<b>2,286</b>	<b>1,406</b>

- 11.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 0.042 million is outstanding in this regard to renowned charitable institutions. None of the directors of the Management Company were interested in any of donees.

## 12. CONTINGENCIES AND COMMITMENTS

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

## 13. 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 (CISs) / mutual funds 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 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 responses 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 Sindh High Court (in against) and Lahore High Court (in favour) are pending before the Supreme Court. However, the Management Company, as a matter of abundant caution, has recognised WWF charged for the period from January 01, 2013 to June 30, 2014 amounting to Rs. 1.830 million which includes Rs. 1.165 million pertaining to the current year in Rs. 0.665 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.18 (0.34%).

The Board of Directors of the Management Company 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 (Management Company 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. 1.69 million.

#### 14. AUDITORS' REMUNERATION

	2014	2013
	(Rupees in '000)	
Statutory Audit fee	157	150
Half yearly review	80	75
Other certifications	111	145
Out of pocket expenses	24	25
	<b>372</b>	<b>395</b>

#### 15. OPERATING SEGMENTS

The investment committee of the management company makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the requirements of the trust deed and the reports reviewed by the investment committee for taking strategic decisions.

In accordance with the trust deed, the Fund consists of two segments, a capital protection segment and an investment segment. The capital protected segment includes that part of the fund which is invested in such a way that it grows to the level of principal investment upon the level of maturity of the Fund where as the investment segment includes that portion of the Fund property that is invested in assets with minimum investment grade, wherever applicable, that have the potential to give a high return to investors.

	Year ended June 30, 2014			Year ended June 30, 2013		
	Investment Segment	Capital Protected Segment	Total	Investment Segment	Capital Protected Segment	Total
	----- (Rupees in '000) -----					
Net realised gain on sale of investments	9,849	289	10,138	21,356	-	21,356
Dividend income	4,303	-	4,303	5,295	-	5,295
Profit on savings accounts with banks	1,948	3,305	5,253	-	-	-
Profit income on GoP Ijarah Sukuks	8,748	23,303	32,051	6,442	28,850	35,292
Unrealised gain on re-measurement of investments fair value through profit or loss <sup>1</sup>	19,125	-	19,125	15,156	-	15,156
Remuneration to Al Meezan	(1,915)	(5,758)	(7,673)	(1,733)	(5,341)	(7,074)
Sindh sales tax and FED on management fee	(607)	(2,013)	(2,620)	(277)	(855)	(1,132)
Amortisation of premium - GoP Ijarah Sukuks	-	(217)	(217)	(141)	(738)	(879)
Bank and settlement charges	(252)	-	(252)	(382)	-	(382)
Charity	(82)	-	(82)	(99)	-	(99)
<b>Total net segment income</b>	<b>41,117</b>	<b>18,909</b>	<b>60,026</b>	<b>45,617</b>	<b>21,916</b>	<b>67,533</b>
Unallocated expenses - net	-	-	(2,949)	-	-	(735)
<b>Total income</b>	<b>41,117</b>	<b>18,909</b>	<b>57,077</b>	<b>45,617</b>	<b>21,916</b>	<b>66,798</b>

	As at June 30, 2014			As at June 30, 2013		
	Investment Segment	Capital Protected Segment	Total	Investment Segment	Capital Protected Segment	Total
	----- (Rupees in '000) -----					
Total segment assets include:						
Balances with banks	32,685	306,560	339,245	-	-	-
Investments - 'fair value through profit or loss' <sup>1</sup>	101,706	40,000	141,706	62,674	68,189	130,863
Investments - 'available for sale'	4,178	48,952	53,130	56,931	48,952	105,883
Receivable against sale of investment	21,861	-	21,861	-	-	-
Profit receivable on savings accounts	175	1,512	1,687	-	-	-
Profit receivable on sukuk certificates	1,062	-	1,062	1,214	3,386	4,600
Dividend receivable	134	-	134	72	-	72
<b>Total Segment Assets</b>	<b>161,801</b>	<b>397,024</b>	<b>558,825</b>	<b>120,891</b>	<b>120,527</b>	<b>241,418</b>
Total segment liabilities include:						
Payable to Al Meezan	478	1,471	1,949	191	588	779
Payable against purchase of investments	15,403	-	15,403	-	-	-
Charity payable	42	-	42	210	-	210
<b>Total Segment Liabilities</b>	<b>15,923</b>	<b>1,471</b>	<b>17,394</b>	<b>401</b>	<b>588</b>	<b>989</b>

There were no transactions between reportable segments.

## 16. NUMBER OF UNITS IN ISSUE

16.1 The movement in number of units in issue during the year / period is as follows:

	2014	2013
	(Number of units)	
Total units in issue at beginning of the year	8,693,675	7,809,472
Add: units issued during the year	-	-
Add: bonus units issued during the year	1,972,133	966,327
Less: units redeemed during the year	(481,041)	(82,124)
Total units in issue at end of the year	10,184,767	8,693,675

16.2 The Fund may issue the following classes of units:

Class	Description
-------	-------------

- |   |  |
|---|--|
| A | Units shall be charged with front-end and back end load.   |
| B | Units that shall be offered for subscription if and when the Fund is re-opened for subscription and shall be charged with front-end and back-end load. |
| C | Units that shall be announced from time to time and shall be charged with back-end load.   |

The par value of each unit is Rs 50. The Management Company of the Fund has set a minimum initial investment limit of Rs 5,000. All units carry equal rights and are entitled to dividends and payment of net asset value on liquidation.

## 17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited (Al Meezan) being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Management Company, Directors and officers of the Management Company, Meezan Islamic Fund, Al Meezan Mutual Fund, KSE Meezan Index Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Financial Planning Fund of Funds, Meezan Balanced Fund, Meezan Capital Preservation Fund – III, Meezan Capital Preservation Fund – II and Meezan Tahaffuz Pension Fund being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company and Al Meezan Investment Management Limited - Staff Gratuity Fund and unitholders holding 10% or more of the Fund.

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

Details of transactions with connected persons and balances with them for the year ended June 30, 2014 along with comparatives are as follows:

	<b>As at June 30, 2014</b>	As at June 30, 2013
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	658	620
Sindh sales tax and FED payable on management fee	1,291	159
Investment of 2,770,482 units (June 30, 2013: 2,247,476 units)	<b>146,614</b>	130,781
<b>Meezan Bank Limited - Shariah Advisor</b>		
Balances with bank	316,234	1,813
Profit receivable on saving accounts	1,629	75
Investment of 2,770,482 units (June 30, 2013: 2,247,476 units)	<b>146,614</b>	130,781
<b>Central Depository of Pakistan Limited - Trustee</b>		
Trustee fee payable	57	54
Deposits	100	100
<b>Directors and officers (executives) of the Management Company</b>		
Investment of 1,385 units (June 30, 2012: 1,124 units)	<b>73</b>	65

**Year ended  
June 30, 2014**      Year ended  
June 30, 2013

**(Rupees in '000)**

**Al Meezan Investment Management Limited  
- Management Company**

Remuneration for the year	7,673	7,074
Sindh Sales Tax and FED on management fee	2,620	1,192
Bonus units issued: 523,006 units (2013: 247,476 units)	<b>27,391</b>	12,500
<b>Meezan Bank Limited - Shariah Advisor</b>		
Profit on savings account with bank	3,770	55
Bonus units issued: 523,006 units (2013: 247,476 units)	<b>27,391</b>	12,500
<b>Central Depository of Pakistan Limited - Trustee</b>		
Trustee fee	669	686
CDS charges	13	13
<b>Directors and officers (executives) of the Management Company</b>		
Bonus units: 262 units (2013: 124 units)	<b>14</b>	6

## 18. FINANCIAL INSTRUMENTS BY CATEGORY

	2014				Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
------(Rupees in '000)-----					
<b>On balance sheet - financial assets</b>					
Balances with banks	339,245	-	-	-	339,245
Investments	-	141,706	53,130	-	194,836
Receivable against sale of investments	21,861	-	-	-	21,861
Dividend receivable	134	-	-	-	134
Deposit and other receivables	2,849	-	-	-	2,849
	<u>364,089</u>	<u>141,706</u>	<u>53,130</u>	<u>-</u>	<u>558,925</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - management company of the Fund	-	-	-	1,949	1,949
Payable to CDC - trustee of the Fund	-	-	-	57	57
Payable against purchase of investments	-	-	-	15,403	15,403
Accrued expenses and other liabilities	-	-	-	2,244	2,244
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,653</u>	<u>19,653</u>

	2013				Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
------(Rupees in '000)-----					
<b>On balance sheet - financial assets</b>					
Balances with banks	14,686	-	-	-	14,686
Investments	-	130,863	355,855	-	486,718
Deposit and other receivable	6,169	-	-	-	6,169
Receivable against sale of investments	32	-	-	-	32
Dividend receivable	72	-	-	-	72
	<u>20,959</u>	<u>130,863</u>	<u>355,855</u>	<u>-</u>	<u>507,677</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited- Management Company	-	-	-	779	779
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	54	54
Accrued expenses and other liabilities	-	-	-	741	741
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,574</u>	<u>1,574</u>



## 19. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

The risk management policy of the Fund aims to maximise the return attributable to the unit holders and seeks to minimise potential adverse effects on the Fund's financial performance.

Risk of the Funds are being managed by the 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, interest rate risk and currency risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, 2008, and the directives issued by Securities and Exchange Commission of Pakistan.

Risks managed and measured by the Fund are explained as follows:

### 19.1 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 profit receivable on savings account, dividend receivable on equity securities and receivable against sale of investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Credit risk arising on the debt instrument is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of atleast investment grades by the recognised rated agencies. Further all transactions in securities are executed through approved brokers and for Debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by Trustee of the fund minimize the credit risk. 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 of the Management Company on a quarterly basis.

The maximum exposure to credit risk as at June 30, 2014 along with comparative is tabulated below:

<b>Financial assets</b>	<b>2014</b>	2013
	<b>(Rupees in '000)</b>	
Balances with banks	<b>339,245</b>	14,686
Receivable against sale of investments	<b>21,861</b>	32
Dividend receivable	<b>134</b>	72
Deposit and other receivable	<b>1,787</b>	1,569
	<b>363,027</b>	16,359

The fund does not have any collateral against any of the aforementioned assets.

None of the financial assets were considered to be past due or impaired as on June 30, 2014.

Credit rating wise analysis of balances with banks of the Fund are tabulated below:

	2014	2013
	%	
AA+	6.70	87.53
AA-	93.30	12.41
A	-	0.16
	<b>100.00</b>	<b>100.00</b>

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 credit rating wise analysis of investments in debt instruments have been tabulated as follows:

	2014	2013
	%	
Government guaranteed	<b>48.54</b>	81.33

## 19.2 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 daily cancellation of units and it is, therefore, exposed to the liquidity risk of meeting unitholder's redemptions at any time. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In accordance with the regulation 58(1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets. However, no such defer redemption request has been exercised by the fund during the year.

Further, the Fund is also allowed, in accordance with regulation 57(10) of the NBFC Regulations, 2008, to defer redemption requests to next dealing day, had such requests exceed ten percent of the total numbers.

In accordance with the risk management policy of the Fund, the Fund manager monitors the liquidity position on a daily basis, which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

In addition to Unitholders' Fund, an analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2014 is tabulated below:

	2014				Total
	Maturity upto				
	Three months	Six months	One year	More than one year	
	(Rupees in '000)				
Payable to Al Meezan Investment Management Company - Management Company	1,949	-	-	-	1,949
Payable to CDC - Trustee	57	-	-	-	57
Payable against purchase of investments	15,403	-	-	-	15,403
Accrued expenses and other liabilities	2,244	-	-	-	2,244
	<u>19,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,653</u>
	2013				Total
	Maturity upto				
	Three months	Six months	One year	More than one year	
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited - Management Company	779	-	-	-	779
Payable to Central Depository Company of Pakistan Limited - Trustee	54	-	-	-	54
Accrued expenses and other liabilities	741	-	-	-	741
	<u>1,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,574</u>

Units of the Fund are redeemable on demand at the option of the unitholder, however, the Fund does not anticipate significant redemption of units.

### 19.3 Market risk

#### 19.3.1 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry environment and / or the economy in general.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objectives. The primary objective to pay unitholders, with certain conditions, their principal investment at maturity and to provide them with high level of total return over the life of the Fund in a Shariah compliant manner for the given level of risks. The Fund's market risk is managed on a daily basis by the 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 NBFC Regulations, 2008.

The Fund's overall market positions are monitored on a quarterly basis by the Board of Directors of the Management Company.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 5.2.1 to these financial statements. As at June 30, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI 30). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund's policy also limits individual equity securities to no more than ten percent of net assets.

The net assets of the Fund will increase / (decrease) by Rs 1.003 million (2013: Rs 0.91 million) if the prices of equity vary due to increase / (decrease) in KMI 30 by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2014 and the historical correlation of the securities comprising the portfolio to the KMI. The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### **19.3.2 Interest rate risk**

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which effects cash flows pertaining to financial instruments and their fair values.

#### Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts and investment in debt securities. As at June 30, 2014, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the year would have been higher / (lower) by Rs 4.338 million (2013: 4.103 million) mainly as a result of finance income.

#### 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.

### **19.3.3 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.

## 20 UNITHOLDER'S FUND RISK MANAGEMNT

The unitholders' fund is represented by redeemable units. These units are entitled to distribution and payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date.

The issuance of units has been discontinued since August 15, 2011. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund meets the requirements of sub-regulation 54(3a) which requires that the minimum size of an Open Ended Scheme shall be one hundred million rupees at all times during the life of the Scheme.

In accordance with the risk management policies stated in the note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 21. FAIR VALUES 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.

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

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

The fair value of financial assets (e.g. sukuks) that are not traded in an active market is determined with reference to the values quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 1 of 2009 dated January 6, 2009 and Circular 33 of 2013 issued by SECP.

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

The Fund 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 an identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- (Rupees in '000) -----			
<b>Investments - 'available for sale'</b>				
Financial assets available for sale	-	53,130	-	53,130
<b>Investments - 'fair value through profit or loss'</b>				
Financial assets held for trading				
- Equity securities	<u>141,706</u>	<u>-</u>	<u>-</u>	<u>141,706</u>
	<u>141,706</u>	<u>53,130</u>	<u>-</u>	<u>194,836</u>

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

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- (Rupees in '000) -----			
<b>Investments - 'available for sale'*</b>				
Financial assets available for sale	-	-	-	-
<b>Investments - 'fair value through profit or loss' *</b>				
Financial assets held for trading				
- Equity securities	<u>90,863</u>	<u>-</u>	<u>-</u>	<u>90,863</u>
	<u>90,863</u>	<u>-</u>	<u>-</u>	<u>90,863</u>

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

During the year ended June 30, 2013, no transfers were made between the aforementioned levels.

## 22. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current year as the Management Company has distributed sufficient income of the Fund for the year ended June 30, 2014 as reduced by capital gains (whether realised or unrealised) to its unitholders.

	2014	2013	2012
	(Rupees in '000)		
<b>23. PERFORMANCE TABLE</b>			
Net assets value (Rs '000) (ex-distribution)*	538,930	505,896	443,245
Net assets value per unit as at June 30 (Rs) (ex-distribution)*	52.92	52.29	50.51
Offer price per unit as at June 30 (Rs) (ex-distribution)*	N/A	N/A	N/A
Redemption price per unit as at June 30 (Rs) (ex-distribution)*	52.92*	52.29*	50.51*
Highest offer price per unit (Rs)	N/A	N/A	52.04
Lowest offer price per unit (Rs)	N/A	N/A	51.55
Highest redemption price per unit (Rs)	58.14	58.44	56.77
Lowest redemption price per unit (Rs)	52.47	50.99	50.03
Distribution	11.30%	11.80%	12.50%
Date of distribution (annual)	May 30, 2014	July 8, 2013	July 9, 2012
Growth distribution (Rupees in '000)	51,989	51,293	48,809
Total return (%)	12.10	15.20	13.52

\* Back end load will apply where applicable, as per the Offering Document of the Fund

	One Year	Two Year	Three Year
Average annual return as at June 30, 2014	12.10%	13.65%	13.60%

Investment portfolio composition of the Fund

Investment portfolio composition of the Fund is as described in note 5.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 19.

## 24. INVESTMENT COMMITTEE MEMBERS

24.1 Details of members of Investment Committee of the Fund are as follow:

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA/ MBA	Twenty four years
Mohammad Asad	Chief Investment Officer	CFA level II / MBA	Eighteen years
Ms. Sanam Ali Zaib	Head of Research	CFA/ MBA	Ten years
Mr. Ahmed Hassan	AVP Investments	CFA/ MBA	Seven years
Dr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Seven years
Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Five years

24.2 The Fund manager of the Fund is Mr. Ahmed Hassan. The other fund being managed by the Fund manager is Meezan Balanced Fund

## 25. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

2014

%

### Broker's name

Fortune Securities (Private) Limited	13.84
Arif Habib Limited.	13.73
Shajar Capital Pakistan (Private) Limited	13.43
Foundation Securities (Private) Limited	10.64
JS Global Capital Limited.	7.40
Standard Capital Securities (Private) Ltd	5.63
AKD Securities Limited	5.6
Ample Securities (Private) Limited	4.83
KASB Securities Limited	4.76
Elixir Securities Pakistan (Private) Limited	3.33

2013

%

### Broker's name

Ample Securities.(Private) Limited	14.46
Shajar Capital Pakistan (Private) Limited	12.49
Optimus Capital Management (Private) Limited	11.44
Foundation Securities (Private) Limited	10.98
KASB Securities Limited	8.10
Elixir Securities Pakistan (Private) Limited	7.48
Fortune Securities (Private) Limited	7.38
Global Securities Limited	7.26
JS Global Capital Limited.	4.81
Invest Capital Markets Limited	2.95



## 26. PATTERN OF UNITHOLDING

	As at June 30, 2014		
	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	---- % ----
Individuals	193	156,898	29.12
Associated companies / directors	2	293,201	54.40
Insurance companies	1	36,650	6.80
Retirement funds	3	18,840	3.50
Public limited companies	2	32,630	6.05
Others	1	711	0.13
<b>Total</b>	<b>202</b>	<b>538,930</b>	<b>100.00</b>

	As at June 30, 2013		
	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	---- % ----
Individuals	200	151,122	29.88
Associated companies / directors	2	261,567	51.70
Insurance companies	2	32,696	6.46
Retirement funds	4	18,070	3.57
Public limited companies	4	39,219	7.75
Others	1	3,222	0.64
<b>Total</b>	<b>213</b>	<b>505,896</b>	<b>100.00</b>

## 27. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present there in				
		July 08, 2013	August 23, 2013	October 25, 2013	February 11, 2014	April 29, 2014
Mr. Ariful Islam	Chairman	No	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	No	Yes	No
Mr. Salman Sarwar Butt	Director	Yes	Yes	Yes	Resigned	Resigned
Mr. Tasnimul Haq Farooqui	Director	Yes	No	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	No	Yes	Yes	Yes
Mr. Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Mr. Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 28, 2014 by the Board of Directors of the Management Company.

## 29. POST BALANCE SHEET EVENTS

The Fund has matured on August 15, 2014 as per its offering document. All assets excepts deposit and other receivables have been realised. Deposits and other receivables either adjusted with liability or would be received in cash. All liabilities will be paid of through bank except for provision on account of WWF which will be transferred to the Trustee.

Following is the unaudited statement of financial position of the Fund as at August 15, 2014:

	(Unaudited) As at August 15, 2014 (Rupees in '000)
<b>Assets</b>	
Balances with banks	541,777
Deposits and other receivables	1,215
<b>Total assets</b>	<b>542,992</b>
<b>Liabilities</b>	
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	1,760
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	34
Payable to Securities and Exchange Commission of Pakistan (SECP)	438
Accrued expenses and other liabilities	2,265
<b>Total liabilities</b>	<b>4,497</b>
<b>Net assets</b>	<b>538,495</b>
<b>Number of units in issue</b>	<b>10,179,386</b>
<b>Net assets value per unit (Rupees)</b>	<b>52.90</b>

The unaudited net income for the period from July 1, 2014 till maturity of the Fund i.e. August 15, 2014 is Rs.1.01 million.


In accordance with the Offering document of the Fund, net assets' will be distributed amongst the Unitholders, as per their respective holdings, within 30 working days effective from maturity of the Fund.

Financial statements for the period from July 01, 2014 till August 15, 2014 will approved by the Board of Directors in their subsequent meeting.

### 30. GENERAL

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

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

  
**Mohammad Shoaib, CFA  
Chief Executive**

  
**Syed Amir Ali Zaidi  
Director**

## PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2014

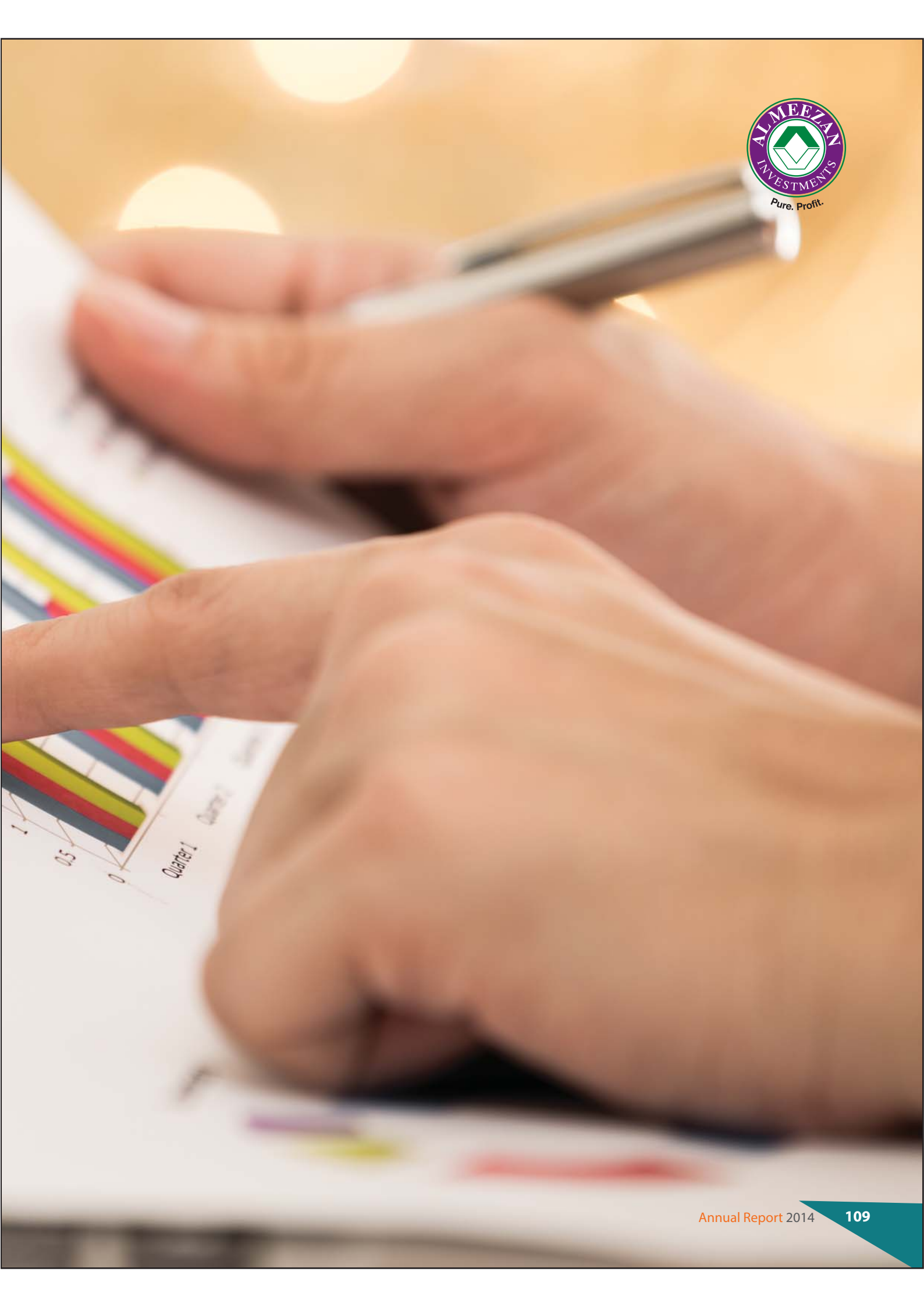
Units held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	2,770,482	27.20%
Meezan Bank Limited	2,770,482	27.20%
<b>Executives</b>	1,385	0.01%
<b>Individuals</b>	2,963,691	29.10%
<b>Retirement Funds</b>	356,034	3.50%
<b>Other Corporate Sector Entities</b>	630,072	6.19%
<b>Insurance Companies</b>	692,621	6.80%
	<b>10,184,767</b>	<b>100.00%</b>





# Meezan Capital Preservation Fund II

The aim of Meezan Capital Preservation Fund III is to seek maximum possible preservation of capital and a reasonable rate of return.



# FUND INFORMATION

## MANAGEMENT COMPANY

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi 74400, Pakistan.  
Phone: (9221) 35630722-6, 111-MEEZAN  
Fax: (9221) 35676143, 35630808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Moin M. 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. Mohammad Shoab, CFA	Chief Executive	

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoab, 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 Sultan Trust Building No.2, Beaumont Road, Karachi- 75530.

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Meezan Bank Limited  
Bank Al Falah Limited - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
3rd & 4th Floor, 68-C, Lane – 13, Bokhari Commercial Area Phase - VI, DHA Karachi  
Phone: (9221) 35156191-94 Fax: (9221) 35156195  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
Meezan House  
C-25, Estate Avenue, SITE, Karachi.  
Phone: 38103538 Fax: 36406017  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



## REPORT OF THE FUND MANAGER

Meezan Capital Preservation Fund III (MCPF-III) is capital preservation fund that invests in Shariah compliant fixed income securities and equity Mutual Funds.

The objective of MCPF-III, is to earn a potentially high return through dynamic asset allocation between Shariah Compliant Equities and Shariah Compliant Income/Money Market based Collective Investment Schemes, while providing capital preservation of the principal investment at completion of the duration of fund.

### Strategy, Investment Policy and Asset Allocation

The benchmark of MCPF-III is the rate of return on Bank Deposits for three Islamic Banks and KMI-30 in weight-ages of the Capital Protection and Investment Segments of the Fund respectively. The Fund Manager, Al Meezan Investment Management Limited, manages the fund with an aim to preserve investor's capital and provide them with high returns through investments in equity mutual funds.

### Asset Allocation

As on June 30, 2014, the fund's equity exposure was 69.7%, while 30% of the Net Assets is invested in Government of Pakistan Ijarah Sukuks.

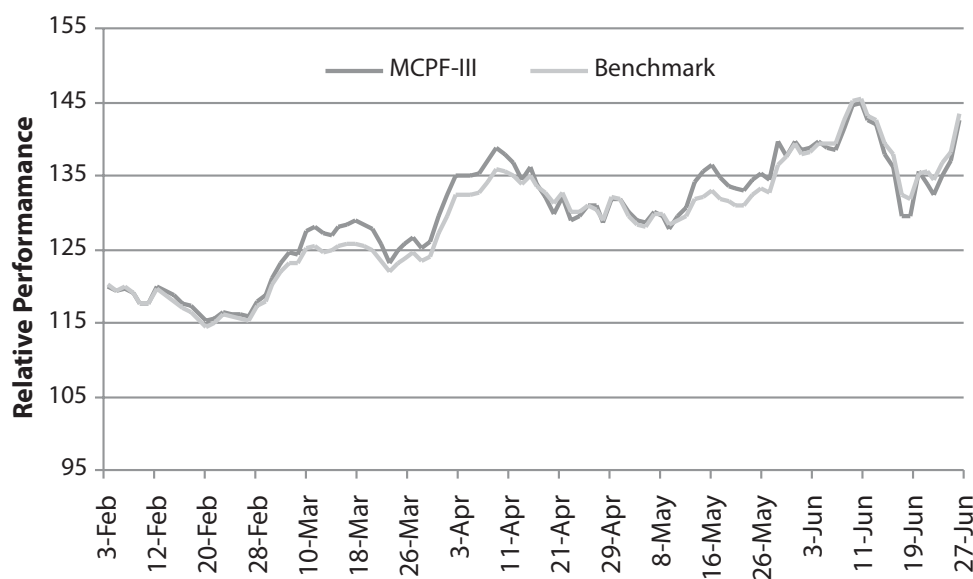
### Performance Review

Meezan Capital Preservation Fund III posted a total income of Rs. 178.67 million during the year ended June 2014. Total income comprised of realized gains and unrealized gain on investments of Rs. 39.45 million and Rs. 135.860 million respectively. After accounting for expenses of Rs. 13.224 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 0.79 million, the fund posted a net profit of Rs. 166.23 million. The net assets of the Fund as at June 30, 2014 were Rs. 3111.28 million.

During the fiscal year 2014, Meezan Capital Preservation Fund III (MCPF-III) provided a return of 5.6% to its investors.

	<b>MCPF III</b>
Net Asset Value (NAV) as on June 30, 2013	NA
Net Asset Value (NAV) as on June 30, 2014 (Dividend Adjusted)	52.27
Return During the Period	5.6%*

\* Performance start date of Jan 31, 2014



## Distributions

The Board of Directors in its meeting held on August 28, 2014 approved NIL distribution for the year ended June 30, 2014. The interim distributions by the Fund during the fiscal year ended June 30, 2014 were Rs. 0.53 per unit (1.06%). Total distribution made by the Fund was Rs. 31 million.

## Breakdown of unit holdings by size:

(As on June 30, 2014)

Range (Units)	No. of investors
1 - 9,999	841
10,000 - 49,999	523
50,000 - 99,999	107
100,000 - 499,999	72
500,000 and above	16
<b>Total</b>	<b>1,559</b>



**Meezan Bank**  
The Premier Islamic Bank

## Report of the *Shari'ah* Advisor – Meezan Capital Preservation Fund-III

August 28, 2014/ Zul Qad 02, 1435

**Alhamdulillah**, the period from July 01, 2013 to June 30, 2014 was the second year of operations of Meezan Capital Preservation Fund (MCPF-III) under management of Al Meezan Investment Management Limited (AMIM). We Meezan Bank Limited are the *Shari'ah* Advisor of the Fund and are issuing the report in accordance with clause 6.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

In the capacity of *Shari'ah* Advisor, we have prescribed criteria and procedure to be followed in ensuring *Shari'ah* compliance in every investment.

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.

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MCPF-III in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MCPF-III by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MCPF-III for the year ended June 30, 2014 have been in compliance with *Shari'ah* principles.

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  
*Shari'ah* Advisor

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN CAPITAL PRESERVATION FUND-III**

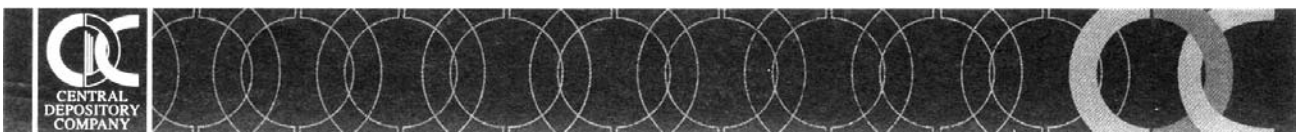
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Capital Preservation Fund-III (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from January 31, 2014 to June 30, 2014 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 19, 2014



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2014



This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Limited (Formerly Karachi Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Management Company has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Moin M. Fudda
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on February 11, 2014 & April 29, 2014, which were filled up by the directors within 30 days. As required under clause (xi) of CCG regulation 35, all the relevant documents were circulated to the director and orientation will be conducted in forthcoming board of directors meeting. Further, as required under clause (v) of CCG regulation 35, mechanism for annual evaluation has been put in place and annual board's performance evaluation will be carried out in forthcoming year.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' as at June 30, 2014.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unitholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members, all the three members are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of four members including CEO. All the other members, including chairman of the committee, are non-executive directors.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company / units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the NAV of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

---

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 28, 2014



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

**Review Report to the Unitholders' of Meezan Capital Preservation Fund III ("the Fund")  
on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") of the Fund for the year ended 30 June 2014 to comply with the requirements of the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of Code. 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 Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Fund's corporate governance procedures and risks.

The Code requires the Management Company of the Fund to place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured this compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2014.

**Date: 28 August 2014**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
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Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## **Independent Auditors' Report to the Unitholders**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Capital Preservation Fund - III** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2014, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the period from 31 January 2014 to 30 June 2014, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*


In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2014, and of its financial performance, cash flows and transactions for the period from 31 January 2014 to 30 June 2014 in accordance with approved accounting standards as applicable in Pakistan.

### *Report on Other Legal and Regulatory Requirements*

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**Date: 28 August 2014**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Muhammad Nadeem**

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## Statement of Assets And Liabilities

As At June 30, 2014

	Note	2014 (Rupees in '000)
<b>Assets</b>		
Balances with banks	4	5,877
Investments	5	3,116,906
Prepayments and other receivables	6	220
Preliminary expenses and floatation costs	7	3,973
<b>Total assets</b>		<b>3,126,976</b>
<b>Liabilities</b>		
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	8	10,924
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	210
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	928
Payable on redemption of units		145
Accrued expenses and other liabilities	11	3,492
<b>Total liabilities</b>		<b>15,699</b>
<b>Net assets</b>		<b>3,111,277</b>
<b>Contingencies and Commitments</b>	12	
<b>Unitholders' fund (as per statement attached)</b>		<b>3,111,277</b>
<b>Number of units</b>		
<b>Number of units in issue</b>	14	<b>59,526,458</b>
<b>(Rupees)</b>		
<b>Net assets value per unit</b>		<b>52.27</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

For AI Meezan Investment Management Limited  
(Management Company)



Mohammad Shoaib, CFA  
Chief Executive



Syed Amir Ali Zaidi  
Director


# INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	For the period from January 31, 2014 to June 30, 2014 (Rupees in '000)
<b>Income</b>		
Net realised gain on sale of investments		39,454
Profit on saving accounts with banks		3,039
Back end load		315
		<b>42,808</b>
Unrealised gain on re-measurement of investments - at 'fair value through profit or loss' (net)	5.1	135,860
<b>Total income</b>		<b>178,668</b>
<b>Expenses</b>		
Remuneration to Al Meezan Investment Management Limited - Management Company	8.1	310
Sindh Sales Tax and Federal Excise Duty on Management Fee	8.2 & 8.3	108
Remuneration to Central Depository Company of Pakistan Limited - Trustee	9	1,030
Annual fee to Securities and Exchange Commission of Pakistan	10	927
Auditors' remuneration	15	100
Fees and subscription		48
Amortisation of preliminary expenses and floatation costs	7	1,027
Transaction cost		6,275
Bank and settlement charges		7
Provision for Workers' Welfare Fund (WWF)	13	3,392
		<b>13,224</b>
<b>Total expenses</b>		<b>13,224</b>
<b>Net income from operating activities</b>		<b>165,444</b>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		785
<b>Net income for the period before taxation</b>		<b>166,229</b>
<b>Taxation</b>	21	-
<b>Net income for the period after taxation</b>		<b>166,229</b>
Other comprehensive income for the period		-
<b>Total comprehensive income for the period</b>		<b>166,229</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

For Al Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoaib, CFA  
Chief Executive

  
Syed Amir Ali Zaidi  
Director

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

For the period  
from January  
31, 2014 to June  
30, 2014  
(Rupees in '000)

Net income for the period

**166,229**

Less: Distributions during the period

Interim distribution on May 30, 2014

- bonus units @ 0.88 % ( Rs.0.44 per unit)

**(25,926)**

Interim distribution on June 23, 2014

- bonus units @ 0.18 % ( Rs.0.09 per unit)

**(5,349)**

Total distribution

**(31,275)**

Undistributed income carried forward

**134,954**

Undistributed income carried forward

- Realised

**(906)**

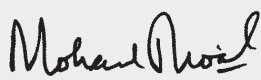
- Unrealised

**135,860**

**134,954**

The annexed notes 1 to 27 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA  
Chief Executive**



**Syed Amir Ali Zaidi  
Director**


# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2014

For the period  
from January  
31, 2014 to June  
30, 2014  
(Rupees in '000)

Net assets at beginning of the period	-
Issue of 59,042,498 units	<b>2,952,127</b>
Redemption of 123,298 units	<b>(6,294)</b>
	<b>2,945,833</b>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	<b>(785)</b>
Issue of 607,258 bonus units	<b>31,275</b>
Unrealised appreciation in the value of investments (net)	<b>135,860</b>
Net realised gain on sale of investments	<b>39,454</b>
Other net income for the period	<b>(9,085)</b>
Total comprehensive income for the period	<b>166,229</b>
Interim distribution on May 30, 2014	
Issue of 503,325 bonus units for the period ended May 31, 2014	<b>(25,926)</b>
Interim distribution on June 23, 2014	
Issue of 103,933 bonus units for the period ended June 30, 2014	<b>(5,349)</b>
	<b>(31,275)</b>
Net assets at end of the period	<b>3,111,277</b>
Net assets value per unit at end of the period	<b>52.27</b>
The annexed notes 1 to 27 form an integral part of these financial statements.	

For Al Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoaib, CFA  
Chief Executive

  
Syed Amir Ali Zaidi  
Director

# CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

For the period  
from January  
31, 2014 to June  
30, 2014  
(Rupees in '000)

## CASH FLOWS FROM OPERATING ACTIVITIES

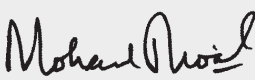
Note		
	Net income for the period	166,229
	<b>Adjustments for:</b>	
	Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)	(135,860)
	Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(785)
		29,584
	<b>Increase in assets</b>	
	Investments - net	(2,981,046)
	Prepayments and other receivables	(220)
	Preliminary expenses and floatation costs	(3,973)
		(2,985,239)
	<b>Increase in liabilities</b>	
	Payable to Al Meezan Investment Management Limited - Management Company	10,924
	Payable to Central Depository Company of Pakistan Limited- Trustee	210
	Payable to Securities and Exchange Commission of Pakistan	928
	Accrued expenses and other liabilities	3,492
		15,554
	<b>Net cash used in operating activities</b>	(2,940,101)

## CASH FLOWS FROM FINANCING ACTIVITIES

	Receipt against issuance of units	2,952,127
	Payments against redemption of units	(6,149)
	<b>Net cash inflow from financing activities</b>	2,945,978
	Net increase in cash and cash equivalents during the period	5,877
	Cash and cash equivalents at beginning of the period	-
4	Cash and cash equivalents at end of the period	5,877

The annexed notes 1 to 27 form an integral part of these financial statements.

For Al Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoaib, CFA  
Chief Executive

  
Syed Amir Ali Zaidi  
Director

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Capital Preservation Fund III (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on November 12, 2013 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 11, 2013 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund is registered as a Notified Entity under Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) issued through S.R.O.1203(I)/2008 on November 21, 2008. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan. The Management Company has been licensed by the Securities and Exchange Commission of Pakistan to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP.
- 1.2 The Fund is an open end mutual fund listed on Islamabad Stock Exchange. Units were offered for public subscription up to the end of the public offering period. After initial offering period, the offer of units was discontinued. However the subscription in the units may be re-opened for fresh issuance by the management company with prior approval of the Commission under intimation to the Trustee and by providing notice to investors in order to protect the interests of the unitholders of the Fund. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unitholders subject to the applicability of back end load at the rate of 5% if transferred / redeemed before maturity of the Fund. The units of the Fund were initially offered to the public (IPO) on January 31, 2014. The duration of the Fund is twenty four months after which it shall stand automatically dissolved after thirty (30) business days of the life of the Fund.
- 1.3 The objective of the Fund is to earn a potentially high return through dynamic asset allocation between Shariah compliant equities and Shariah compliant income/money market based Collective Investment Schemes, while providing capital preservation of the principal investment at completion of the duration of fund. The Management Company 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. The Fund is categorized as fund of funds scheme in a No.7 issued by SECP.
- 1.4 This is the first year of establishment of the Fund, therefore, there are no corresponding figures in these financial statements. These financial statements have been prepared from January 31, 2014 being the date on which the deposited property was first transferred to the Trustee. The income earned on the investments of pre IPO Investors up to the start of IPO (i.e. for the period from December 26, 2013 to January 30, 2014) has been paid to investors on pro rata basis either in cash or in the form of additional units for an amount equal to the income earned, as selected by pre IPO investors in accordance with the Trust Deed.
- 1.5 The Management Company has been given a quality rating of AM2 by JCR - VIS Credit Rating Company of Pakistan Limited.
- 1.6 Title to the assets of the Fund are held in the name of Central Depository Company Limited of Pakistan as a Trustee.

## **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 have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008) and directives issued by SECP. Wherever, the requirements of the NBFC Rules 2003, the NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules 2003, the NBFC Regulations, 2008 and the said directives shall prevail.

### **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 Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements 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 (note 3.1 and note 5)
- (b) Impairment of financial instruments (note 3.1.6)
- (c) Amortisation of preliminary expenses and floatation costs (notes 3.2 and 7)
- (d) Recognition of provision for Workers' Welfare Fund (note 13)

## 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 July 01, 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 01, 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 January 01, 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 January 01, 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 January 01, 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 July 01, 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 January 01, 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 .



- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 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 July 01, 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's 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 Disclosures'. 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 are not likely to have an impact on Fund's financial statements.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **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-derivative 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 liability '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, 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 expire 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.

### **3.1.8 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.

### **3.2 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 amortised over a period of two years commencing from February 1, 2014 in accordance with the Trust Deed of the Fund and the NBFC Regulations, 2008.

### **3.3 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net assets value of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributor and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### **3.4 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 unitholder's funds in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unitholders. 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.

The element is recognised in the Income Statement to the extent that it is represented by income earned during the year and unrealised appreciation / (diminution) arising during the year on 'available for sale' securities is included in the Distribution Statement.

### **3.5 Net assets value per unit**

The net assets value (NAV) per unit, as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the period end.

### **3.6 Taxation**

#### *Current*

The income of the Fund is exempt from income tax under clause 99 of part I to the second schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current year as the Fund has availed this exemption.

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

#### *Deferred*

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

However, the Fund availed the tax exemption by distributing at least ninety percent of its accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

### **3.7 Revenue recognition**

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently on the date at which the transaction takes place.
- (ii) Dividend income is recognised when the Fund's right to receive the dividend is established.
- (iii) Profit on bank deposit is recognised on time proportion basis using effective yield method.

### **3.8 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances including term 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 for other purposes.

### **3.9 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.

### **3.10 Provisions**

A provision is recognised when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

### **3.11 Unitholders' fund**

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### **3.12 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.

### **3.13 Distribution**

Distribution including bonus units are recognised in the period in which they are approved.

	<b>Note</b>	<b>2014 (Rupees in '000)</b>
<b>4. BALANCES WITH BANKS</b>		
On saving accounts	4.1	<b>5,877</b>

**4.1** The balances in saving accounts have an expected profit ranging from 3.72% to 5.85% per annum.

#### 5. INVESTMENTS

Investments 'at fair value through profit or loss' - Held for trading	5.1	<b>3,116,906</b>
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#### 5.1 Held for trading - units of mutual funds

Name of the investee funds	As at January 31, 2014	Purchases during the period	Bonus issue	Redemption during the period	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain as at June 30, 2014	Percentage of market value of total investment
	----- (Number of Units) -----					----- (Rupees in '000) -----			%
Meezan Islamic Fund	-	46,011,333	5,038,152	7,696,467	43,353,018	2,081,334	2,178,056	96,722	69.88
Meezan Islamic Income Fund	-	37,463,033	1,832,492	20,582,148	18,713,377	899,712	938,850	39,138	30.12
Meezan Sovereign Fund	-	43,920,901	123,950	44,044,851	-	-	-	-	-
						<b>2,981,046</b>	<b>3,116,906</b>	<b>135,860</b>	<b>100</b>

Total cost of investments

2,981,046

	<b>Note</b>	<b>2014 (Rupees in '000)</b>
<b>6. PREPAYMENTS AND OTHER RECEIVABLES</b>		
Prepayments		<b>186</b>
Profit receivable on saving accounts with banks		<b>34</b>
		<b>220</b>

#### 7. PRELIMINARY EXPENSES AND FLOATATION COSTS

Cost incurred		<b>5,000</b>
Less: Amortisation during the period	7.1	<b>1,027</b>
Closing balance		<b>3,973</b>

**7.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund, restricted to one percent of Pre-IPO Capital, and are being amortized over a period of two years commencing from the end of the initial offering period in accordance with the Trust Deed of the Fund.

	Note	2014 (Rupees in '000)
<b>8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company</b>		
Management fee	8.1	5
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	59
Sindh Sales Tax and Federal Excise Duty on sales load	8.2 & 8.3	10,860
		<b>10,924</b>

**8.1** Under the provisions of NBFC Regulations, 2008 the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of one percent per annum on cash and cash equivalent for the period.

**8.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 01, 2011.

**8.3** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company 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 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 Management Company has made a provision aggregating to Rs. 9.41 million. Had the provision not being made, the Net Assets Value per unit of the Fund as at June 30, 2014 would have been higher by Rs. 0.16 per unit.

**9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - Trustee**

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 value of the Fund.

The remuneration of the Trustee for the period ended June 30, 2014 has been calculated as per the following applicable tariff:

Net assets	Tariff
Up to 1 billion	0.10% per annum
Over 1 billion	Rs. 1 million plus 0.075% p.a. of Net Assets exceeding Rs.1 billion

**10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee at the rate of 0.075 percent of the average annual net assets of the Fund payable to SECP under regulation 62 read with Schedule II of NBFC Regulations, 2008.



	Note	2014 (Rupees in '000)
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration		100
Workers' Welfare Fund (WWF) payable	13	3,392
		<b>3,492</b>

## 12. CONTINGENCIES AND COMMITMENTS

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

## 13. WORKERS' WELFARE FUND

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 Management Company as a matter of abundant caution recognised WWF amounting to Rs. 3.39 million pertaining to the current period . Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.06 (0.11%).

	<b>2014</b> <b>(Number of Units)</b>
<b>14. NUMBER OF UNITS IN ISSUE</b>	
<b>14.1</b> The movement in number of units in issue during the period is as follows:Units)	
Total units in issue at beginning of the period	-
Add: units issued during the period	<b>59,042,498</b>
Add: bonus units issued during the period	<b>607,258</b>
Less: units redeemed during the period	<b>(123,298)</b>
Total units in issue at end of the period	<b>59,526,458</b>

**14.2 Units of the Fund have been classified as follows:**

<b>Class</b>	<b>Description</b>
A	Units issued to Pre-IPO investors may be charged with frond end load and are also subject to back end / contingent load.
B	Units shall be issued to investors at offer price during and after the IPO and are also subject to back end / contingent load.
C	Units which may be issued in case of stock dividend and are subject to back end / contingent load.

**2014**  
**(Rupees in '000)**

**15. AUDITORS' REMUNERATION**

Statutory Audit fee	<b>100</b>
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**16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

The connected persons include Al Meezan Investment Management Limited (Al Meezan) being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Management Company, directors and officers of the Management Company, 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 Tahaffuz Pension Fund being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company and Al Meezan Investment Management Limited - Staff Gratuity Fund and unit holders holding 10% or more of the Fund.

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

Remuneration payable to the management company and the trustee is determined in accordance with the provisions of NBFC Rules, NBFC Regulations, 2008 and the Trust Deed respectively.

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

2014  
(Rupees in '000)

**Al Meezan Investment Management Limited - Management Company**

Remuneration payable	5
Sindh Sales Tax and Federal Excise Duty payable on management fee	59
Sindh Sales Tax and Federal Excise Duty payable on sales load	10,860
Investments as at June 30, 2014: 2,101,382 units	109,839

**Meezan Bank Limited**

Balances with bank	5,867
Profit receivable on savings account	34

**Central Depository Company of Pakistan Limited- Trustee**

Trustee fee payable	210
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**Meezan Islamic Fund**

Investments as at June 30, 2014: 43,353,018 units	2,178,056
Transaction cost paid	6,275

**Meezan Islamic Income Fund**

Investments as at June 30, 2014: 18,713,377 units	938,850
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**Directors and officers of the Management Company**

Investments as at June 30, 2014: 6,835 units	357
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For the period  
from January  
31, 2014 to June  
30, 2014  
(Rupees in '000)

**Al Meezan Investment Management Limited - Management Company**

Remuneration for the period	310
Sindh Sales Tax and Federal Excise Duty on management fee	108
Units issued 2,079,947	103,997
Bonus of 21,435 units	1,104

**Meezan Bank Limited**

Profit on saving accounts	3,039
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For the period  
from January  
31, 2014 to June  
30, 2014  
(Rupees in '000)

**Central Depository Company of Pakistan Limited- Trustee**

Remuneration for the period

1,030

**Meezan Islamic Fund**

Issuance of 46,011,333 units

2,503,899

Redemption of 7,696,467 units

427,000

Bonus of 5,038,152 units

249,086

**Meezan Islamic Income Fund**

Issuance of 37,463,033 units

1,927,000

Redemption of 20,582,148 units

1,043,292

Bonus of 1,832,492 units

92,050

**Meezan Sovereign Fund**

Issuance of 43,920,901 units

2,230,000

Redemption of 44,044,851 units

2,249,015

Bonus of 123,950 units

6,271

**Directors and officers of the Management Company**

Issuance of 6,766 units

338

Bonus of 69 units

4

**17. FINANCIAL INSTRUMENTS BY CATEGORY**

	2014				Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----					
On balance sheet - financial assets					
Balances with banks	5,877	-	-	-	5,877
Investments	-	3,116,906	-	-	3,116,906
Profit receivable on saving accounts with banks	34	-	-	-	34
	5,911	3,116,906	-	-	3,122,817



The maximum exposure to credit risk as at June 30, 2014 is tabulated below:

	<b>2014</b> <b>(Rupees in '000)</b>
<b>Financial assets</b>	
Balances with banks	<b>5,877</b>
Profit receivable on saving accounts	<b>34</b>
Investment in mutual funds	<b>3,116,906</b>
	<b>3,122,817</b>

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

	(%)
AA	<b>100</b>
	<b>100</b>

The Fund does not have any collateral against any of the aforementioned assets.

None of the financial assets were considered to be past due or impaired as on June 30, 2014.

## **18.2 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 investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages the liquidity risk by investing assets in highly liquid financial assets.

In accordance with regulation 58(1)(k) of the NBFC Regulations, 2008 the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen percent of the net assets. However, no such borrowing has been obtained during the period.

Further, the Fund is also allowed in accordance with regulation 57 (10) of the NBFC Regulations, 2008 to defer redemption requests to the next dealing day, had such requests exceed ten percent of the total number of units in issue. However, no such defer redemption request has been exercised by the Fund during the period.

In addition to Unitholders' Funds, analysis of the Fund's liabilities into relevant maturity grouping as at June 30, 2014 is tabulated below:

	Maturity upto				2014
	Three months	Six months	One year	More than one year	Total
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited - Management Company	10,924	-	-	-	10,924
Payable to Central Depository Company - Trustee	210	-	-	-	210
Payable on redemption of units	145	-	-	-	145
Accrued expenses and other liabilities	100	-	-	-	100
	<u>11,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,379</u>

Units of the Fund are redeemable on demand at the option of the unitholder, however, the Fund does not anticipate significant redemption of units.

### 18.3 Market Risk

#### 18.3.1 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry, environment and / or the economy in general. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unitholders 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 investment committee 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 NBFC Regulations, 2008.

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these financial statements. At June 30, the Fund's overall exposure to price risk is limited to the fair value of the respective debt and equity fund. The Fund manages its exposure to price risk by investing in equity and debt funds as per the Trust Deed and benchmarking the sector weighting to that of the KSE Meezan Index 30 index (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

### 18.3.2 Interest rate risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which affect cashflows pertaining to debt instruments and their fair values. However, the Fund invest in Income Fund which are exposed to interest rate risk and which indirectly affect the interest rate risk of the Fund.

#### *Cash flow interest rate risk*

The Fund's interest rate risk arises from the balances in savings accounts and investment in debt securities. As at June 30, 2014, if there had been increase / (decrease) of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the period would have been higher / (lower) by Rs 0.0587 million mainly as a result of finance income.

#### *Fair value interest rate risk*

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

### 18.3.3 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.

## 19. UNITHOLDERS' FUND RISK MANAGEMENT

The unitholders' fund is represented by redeemable units. These units are entitled to distribution and payment of a proportionate share, based on the Fund's net assets value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unitholders' Fund.

The Fund's objective when managing unitholders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unitholders and to maintain a strong base of assets under management.

The issuance of units has been discontinued since February 01, 2014. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund meets the requirement of sub-regulation 54(3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

In accordance with the risk management policies stated in the note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.



## 20. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a 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 or adverse terms.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date.

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 an identical assets or liabilities.
- Level 2: Inputs other than quoted prices included with in level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	2014			Total
	Level 1	Level 2	Level 3	
	----- (Rupees in '000) -----			
<b>Assets</b>				
Financial assets - 'at fair value through profit or loss'	3,116,906	-	-	3,116,906

## 21. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company has distributed sufficient income of the Fund for the period ended June 30, 2014 as reduced by capital gains (whether realised or unrealised) to its unitholders.

## 22. PERFORMANCE TABLE

2014

Net assets (Rupees in '000) (ex-distribution)	3,111,277
Net assets value / redemption price per unit as at June 30 (Rupees) (ex-distribution)	52.27
Offer price per unit as at June 30 (Rupees)	N/A
Distribution (%)	
- Interim	1.06
Dates of distribution (Interim)	
- Interim	30 May 2014
- Interim	23 June 2014
Highest offer price per unit (Rupees)	N/A
Lowest offer price per unit (Rupees)	N/A
Highest redemption price per unit (Rupees)	52.50
Lowest redemption price per unit (Rupees)	49.53
Growth distribution (Rupees in '000)	31,275
Total return (%)	5.60
	One year
Average annual return (%)	5.60

Investment portfolio composition of the Fund is as described in note 5.

## 23. INVESTMENT COMMITTEE MEMBERS

23.1 Details of members of investment committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty four years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Eighteen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Ten years
Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Seven years
Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Five years
Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Seven years

**23.2** The Fund Manager of the Fund is Mr. Ahmed Hassan. Other Funds being managed by the Fund Manager are as follows:

- Meezan Balanced Fund
- Meezan Capital Protected Fund II

**24. DETAILS OF MEETINGS OF BOARD OF DIRECTORS**

Name	Designation	Dates of Board of Directors Meetings and Directors' present there in				
		July 8, 2013	August 23, 2013	October 25, 2013	February 11, 2014	April 29, 2014
Mr. Ariful Islam	Chairman	No	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	No	Yes	No
Mr. Salman Sarwar Butt	Director	Yes	Yes	Yes	..... Resigned .....	.....
Mr. Tasnimul Haq Farooqui	Director	Yes	No	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes

**25. PATTERN OF UNITHOLDING**

As at June 30, 2014

	Number of investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	1,490	1,811,676	58.23%
Associated companies / directors	1	109,833	3.53%
Insurance companies	3	44,666	1.44%
Banks / DFIs	1	1,056	0.03%
Retirement funds	51	933,755	30.01%
Public limited companies	5	84,617	2.72%
Others	8	125,674	4.04%
<b>Total</b>	<b>1,559</b>	<b>3,111,277</b>	<b>100%</b>


**26. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 28, 2014 by the Board of Directors of the Management Company.

**27. GENERAL**

There are no corresponding figures as the Fund commenced its operations from January 31, 2014.

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

  
**Mohammad Shoaib, CFA  
Chief Executive**

  
**Syed Amir Ali Zaidi  
Director**

## PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2014

<b>Units held by</b>	<b>Units Held</b>	<b>%</b>
<b>Associated Companies</b>		
Al Meezan Investment Management limited	2,101,382	3.53
<b>Executives</b>	6,835	0.01
<b>Public Limited Companies</b>	1,618,928	2.72
<b>Bank &amp; Financial Institutes</b>	20,206	0.03
<b>Mutual Funds</b>	-	-
<b>Retirement Funds</b>	17,865,064	30.01
<b>Other Corporate Sector entities</b>	3,259,029	5.47
<b>Individuals</b>	34,655,014	58.22
<b>Total</b>	<b>59,526,458</b>	<b>100</b>





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