



# GROWING TO NEWER HEIGHTS

Annual Report 2015

20  
years  
Celebration

meezan  
islamic fund  
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almeezan  
mutual fund  
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kse meeZan index fund  
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balanced fund  
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## **Annual Report 2015**

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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 financial statements of the following open end funds for the year ended June 30, 2015.

## Equity Funds

- Meezan Islamic Fund
- Al Meezan Mutual Fund
- KSE-Meezan Index Fund

## Balanced Fund

- Meezan Balanced Fund

## Economic Review FY15

Pakistan's economy has shown progress on the back of a reform agenda that was initiated with the advent of PML-N government around two years ago. The economy continued to gain momentum during FY'15 with marked improvement in economic fundamentals of the country. This was in part due to stringent structural reforms applied under the guidelines of IMF and the global oil price decline leading to falling prices of petroleum products in the country. Some of the major positives during this year were 1) the discount rate brought down by 300bps to a historic low at 7%, 2) inflation averaging at 4.53%, its lowest in a decade, 3) historical initiative of China Pakistan Economic Corridor (CPEC), 4) foreign exchange reserves at a record high, 5) re-rating of Pakistan's sovereign bonds by Moody's and S&P from stable to positive, 6) successful continuation of privatization program, 7) stability in PKR/USD parity.

Massive decline in global oil prices during the 1HFY15 led to a considerable melt down in inflation making the real interest rate scenario favourable for the State Bank of Pakistan (SBP) to embark on a monetary easing stance and bring down the key rate to a historically low level. SBP also introduced a target interest rate 50 bps below the discount rate and also cut down the interest rate corridor from 250 bps to 200 bps.

Economic growth however, remained sluggish, clocking in at 4.24% against 4.03% last year, due to multitude of reasons ranging from political concerns denting the economic progress to structural issues, most importantly the energy crisis crippling the country's industrial sector. Major growth push came from the services sector which grew by 5%, while industrial sector remained dull with Large Scale Manufacturing (LSM) figures posting a nominal growth of 3.3%.

The government was able to contain the fiscal deficit at 5% of GDP against 5.8% last year. Some of the major factors contributing to this improvement were 1) provincial surplus amounting to Rs. 141 billion, 2) tax collection amounting to Rs. 2.58 trillion, up 14% YoY, 3) PSDP allocation of Rs. 437 billion against a target of Rs. 525 billion. The current account for FY15 improved as well with the deficit shrinking to USD 2.3 billion, down 27% YoY despite a 2.7% increase in trade deficit with exports clocking in at USD 24 billion (down 4% YoY) and imports recorded at USD 41 billion (down 1% YoY). Despite the widened trade deficit, improvement in current account deficit is mainly attributable to CSF receipts amounting to USD 1.5 billion and 16.5% YoY increase in remittances, which clocked in at USD 18.5 billion.

The country's forex reserves continued to strengthen and closed the fiscal year at an all-time high of USD 18.5 billion. This was mainly due to successful disbursements of loan tranches from IMF under the Extended Fund Facility (EFF), Coalition Support Fund (CSF) receipts during the year, inflows from privatization program and current account surplus in 3QFY15. The improvement in the external sector also led to stability in the PKR, which depreciated by

only 3% in the interbank market during FY15. Amid historically low discount rate, receding inflation, improvement in external account, declining fiscal deficit and ground-breaking agreement with China over CPEC, the economic situation seems ripe for take-off. Low oil prices, along with improvements in energy sector will provide impetus for industrial growth which should positively impact the current account. This in turn would strengthen forex reserves further and keep rupee stable. Government's ambitious growth targets for FY'16 would require timely implementation of ongoing projects related to energy sector and CPEC.

### **Equity Market Review**

FY15 saw a reasonable performance of the benchmark index (KMI-30), which closed 20% up at 57,271 points. During the same period, the KSE 100 index also continued its rising trend and closed 16% up at 34,398 pts. The first half of this fiscal year witnessed some concerns on the political front with PTI and PAT initiating a planned protest March in Islamabad on August 14, 2014 against alleged rigging in the country's latest general elections; the stock market reacted accordingly to the heightened political noise and KMI-30 dropped to its lowest level (during FY'15) of 45,236 pts. These protests were ultimately called off with the brutal December 2014 terrorist attack in Peshawar, to which the government and the armed forces responded strongly in the form of a targeted military operation and lifting of the ban on capital punishment. This had in turn given rise to fears of revocation of Pakistan's GSP Plus status by the European Union but improving macro-economic fundamentals with receding inflation, falling oil prices and up-gradation in the country's sovereign rating by international rating agencies, outweighed the drags caused by these fears and political noise, ultimately aiding the stock market to close in green at the end of December 2014.

However, the start of CY 2015 saw the stock market take massive short term corrections and resultantly KMI-30, which had gained 6.2% and reached 53,902 pts. in January 2015 alone, dropped by a cumulative 15.5% during the next two months. This massive decline is attributable to a host of factors including liquidation of a foreign fund, selling by local capital protected/preservation funds seeking to rebalance their portfolios in a declining equity market, amendments in capital gains tax regime for foreign investors and regulatory instructions to regularize market practices relating to segregation of clients' assets and in-house financing.

Subsequently, formation of a judicial commission to probe allegations of rigging in 2013 general elections tamed political uncertainty and continued monetary easing by the SBP significantly rejuvenated the investor sentiments in the market. The overwhelming interest both in the country's equity market (secondary public offerings of UBL, HBL, ABL and PPL) and fixed income instruments (International Sukuks) reflected the strengthening investors' confidence both locally and abroad. Successful reviews and disbursements by IMF, forex reserves touching a record high of USD 18.5 billion, upgrade in Pakistan's credit rating by Moody's, improving law and order situation in the whole country and the news of Pakistan being reviewed for inclusion in MSCI emerging markets index were among the major factors which brought the market back on track to resume an upward momentum and post a 20% rise for the fiscal year.

### **Equity Flows**

Foreign investors' trading activity, which is usually the driving force behind local investor sentiments, remained dull in FY15 with a net buying of USD 38.5 million in comparison to USD 256.2 million last year. Major foreign buying remained concentrated towards cement and food stocks while majority selling was witnessed in electricity and telecom sector stocks. Moreover, Mutual funds also remained bullish in the market with a net buying of USD 122million.

On the other hand, banks and companies trimmed their portfolios by USD 138 million and USD 107 million respectively.

Out of the trading activity at KSE, foreigners, mutual funds and companies accounted for 7.7%, 5.1% and 26.4% respectively while individuals remained the largest participants accounting for 53.6% of the total trade volume during FY'15.

Lastly, an important highlight during FY'15 was that average daily trading volume and value rose to a six year high at 215.9 million shares and USD 107.6 million, respectively.

### Sector Performance

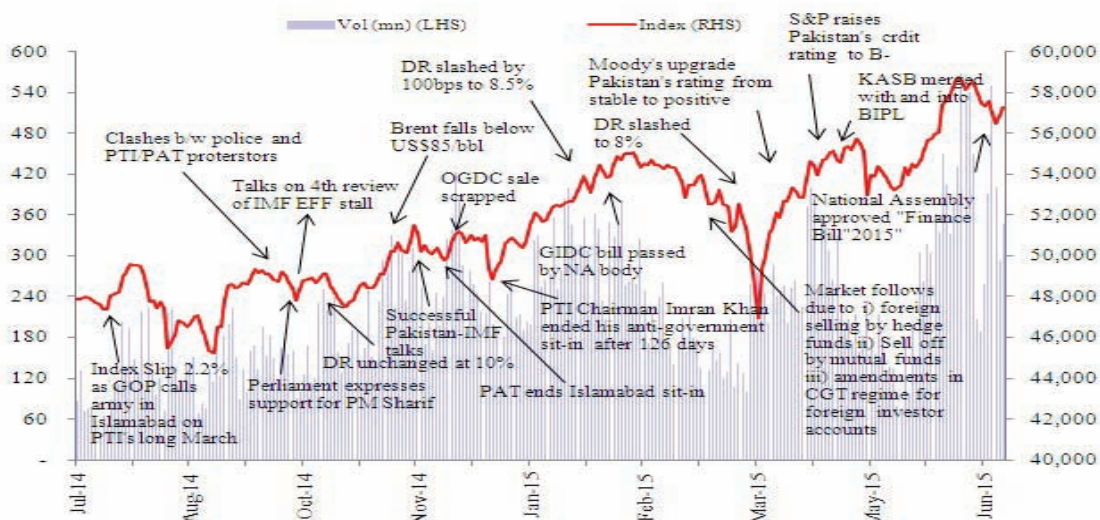
Overall, automobiles turned out to be the best performing sector during the period under review, up 92% mainly on the back of weakening yen and launch of new models (Toyota). Electricity was also up 62% up based on attractive yields due to falling oil prices. Chemicals increased by 42%, construction & material increased by 48% and pharmaceuticals increased by 29%. Top contributors to KMI-30 index growth during FY15 were primarily:

Company Name	KMI-30 Index Points	Contribution to KMI-30 return
The Hub Power Company	1,984	14.97%
Lucky Cement	1,852	13.97%
Fauji Fertilizer Company	1,711	12.91%
Fauji Cement Company	1,012	7.63%
Kot Addu Power Company	862	6.50%

On the flip side, Oil and Gas sector was down 25% due to a relentless decline in oil prices, Telecom was down 18% commercial banks were down by 6% due to the declining interest rate. Among stocks that pulled the KMI-30 index down were;

Company Name	KMI-30 Index Points	Contribution to KMI-30 return
Oil & Gas Development Company	1,708	-12.88%
Pakistan Petroleum Limited	1,417	-10.69%
Pakistan Oilfields Limited	779	-5.88%
Pakistan Telecommunication	392	-2.96%
Nishat Mills Limited	258	-1.95%

A graphical summary of the performance of KMI-30 index is as follows:



### Mutual Fund Sector Review

During the FY 2015, Assets under Management (AUM) of the mutual fund industry witnessed an increase of 2.6% to Rs. 415 billion. Islamic funds grew by 23.9% during the year to Rs 105 billion, thus bringing the market share of Islamic funds to 25.3% in the mutual fund sector.

Open End Equity funds (including capital protected, index tracker, and asset allocation) increased by 33.6% to reach Rs 208 billion compared to Rs 156 billion as at June 30, 2014. Islamic equity funds, on the other hand, showed a significant growth of 80.6% in the year and stood at Rs. 65 billion.

Al Meezan's market share in the mutual funds industry stands at 14.7% as at June 30, 2015 in comparison to 13.9% last year. The positive policy making and implementation led to improved investor confidence on both local and foreign fronts in turn leading the equity market to new highs. Alongside, on the back of SBP's policy of continued monetary easing, the growth in equity funds significantly surpassed that of income funds.

### Performance Review - Equity Funds

Name of Fund	Type	Net Assets June 30, 2015 (Rs. millions)	Growth in Net Assets for FY15	Return for FY15	Benchmark Return FY15
Al Meezan Mutual Fund (AMMF)	Open-End Equity	4,007	41%	22.02%	20.10%
Meezan Islamic Fund (MIF)	Open-End Equity	27,403	65%	21.64%	20.10%
KSE Meezan Index Fund (KMIF)	Open-End Index Tracker	1,159	-1%	17.06%	20.10%
Meezan Balanced Fund (MBF)	Open-End Balanced	3,383	75%	15.87%	12.57%
<b>Total</b>		<b>35,952</b>			

## **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 and voluntary pension scheme under management of AI Meezan for FY 2015-16. The board of directors on recommendation of the audit committee has approved their appointment for all the collective investment schemes and voluntary pension scheme under management of AI Meezan for FY 2015-16.

## **Outlook**

The Finance Act 2016 for FY'16 is focused towards increasing the tax collection by taxing areas of economy that were not taxed before. Measures to widen the tax net and bring non-filers under the tax umbrella are also underway as the government has introduced stringent measures in the new budget.

Structural reforms executed by the government reaped benefits and resulted in successful disbursement of successive tranches from IMF under EFF. Two waivers pertaining to reducing budget deficit and lowering borrowings from Central bank were granted to the government upon successful completion of the eight review. These waivers will in turn pave way for the approval of the next loan tranche of USD 502 million.

Considering the recent developments on the international front coupled with the development initiatives and structural reforms being implemented locally, the investors' confidence should improve further and sustain the market's growth momentum. In light of the low interest rate scenario, investor interest will move towards high dividend yield stocks. Furthermore, leverage stocks would be another proxy for low interest rate.

The stock market is expected to continue performing on the back of improving economic fundamentals and strong corporate profitability while the money market is expected to continue facing low interest rates for the near future. With the Judicial Commission's report citing no reservations on the authenticity of 2013's general elections, the political uncertainty has faded out for now. The issue of resignations tendered by MQM lawmakers is likely to be resolved by the incumbent government which has set up a committee to hold talks with the aggrieved lawmakers. With corporate profitability expected to clock in around 16% with a 6% dividend yield, we expect the stock market to stay strong.

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

AI 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 Funds' ability to continue as a going concern.
- The sale and repurchase of units of the Funds 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 as under:

#### Meezan Islamic Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Ariful Islam	Chairman	Nil	380,800
Mr. Mohammad Shoaib, CFA	CEO	2,975,526	1,534,663
Mr. Mazhar Sharif	Director	52,558	17,915
Syed Amir Ali Zaidi	Director	Nil	19,309
Syed Amir Ali	Director	Nil	55,889
Syed Owais Wasti	CFO	1,752	Nil

#### AI Meezan Mutual Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Ariful Islam	Chairman	1,426,881	NIL
Mr. Mohammad Shoaib, CFA	CEO	9,990,412	1,121,423
Syed Owais Wasti	CFO	9,849	Nil

#### KSE Meezan Index Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mohammad Shoaib, CFA	CEO	Nil	869,265
Syed Owais Wasti	CFO	1,466	Nil

#### Meezan Balanced Fund


Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Ariful Islam	Chairman	96,921	Nil
Mr. Mohammad Shoaib, CFA	CEO	748	Nil
Syed Amir Ali	Director	721	Nil
Syed Owais Wasti	CFO	46,496	Nil

## 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, the 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: September 08, 2015  
Karachi

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





20  
years  
Celebration

meezan  
islamic fund  
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# MEEZAN ISLAMIC FUND (MIF)

Meezan Islamic Fund seeks to optimize total investor returns by participating in Shariah compliant equities which focus on both capital gains and dividend income.



# 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  
Website: 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. Abdullah Ahmed Muhammad	Non-Executive	
Syed Amir Ali	Non-Executive	
Mr. Atif Azim	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Moin M. Fudda	Independent	
Mr. Mazhar Sharif	Non-Executive	
Mr. Mohammad Shoaib, CFA	Chief Executive	
Syed Amir Ali Zaidi	Non-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 SultanTrust Building No.2, Beaumont Road, Karachi - 75530.

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Allied Bank Limited  
Al Baraka Islamic Bank B.S.C (E.C)  
Bank Al Habib Limited - Islamic Banking  
BankIslami Pakistan Limited  
Faysal Bank Limited - Islamic Banking  
Habib Metropolitan Bank Limited - Islamic Banking  
Meezan Bank Limited  
Standard Chartered Bank (Pakistan) Limited - Islamic Banking

Askari Bank Limited - Islamic Banking  
Bank Alfalah Limited  
Burj Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Bank Limited - Islamic Banking  
MCB Bank Limited - Islamic Banking  
National Bank of Pakistan - Islamic Banking  
UBL Ameen - 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  
Website: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited  
Standard Chartered Bank (Pakistan) Limited

# REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2015

Meezan Islamic Fund (MIF) is an open end equity fund investing in Shariah compliant listed equity securities.

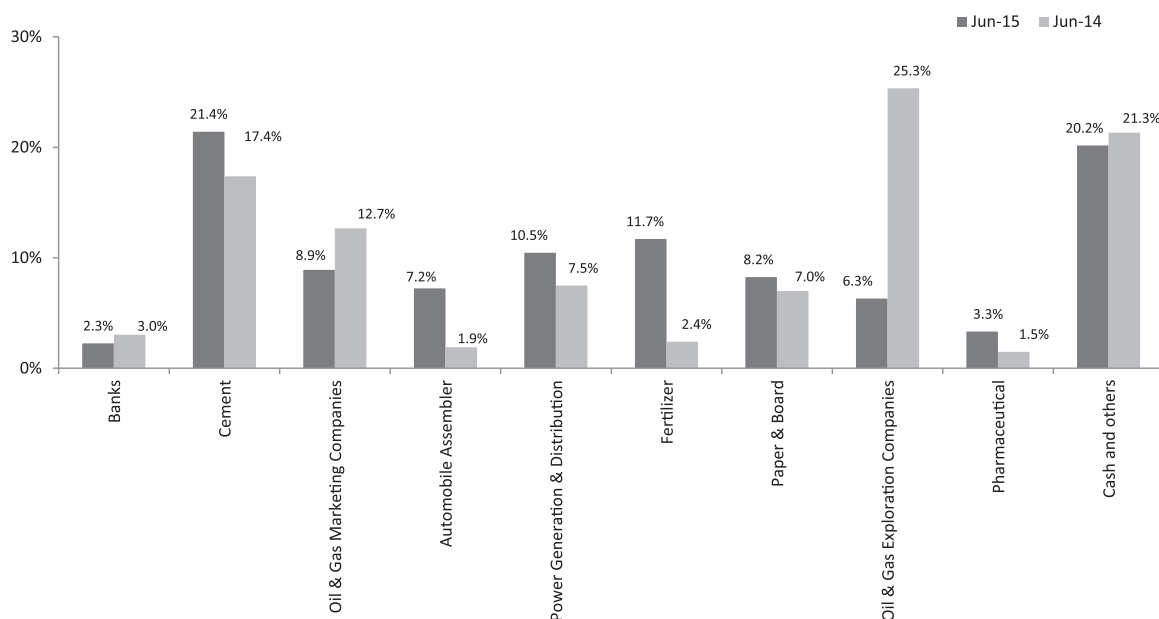
The objective of MIF is to provide optimum returns to the investors from investment in Shariah Compliant stocks for the given level of risk, while abiding by all applicable rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), dividend income and other income from Shariah Compliant investments.

## Strategy, Investment Policy and Asset Allocation

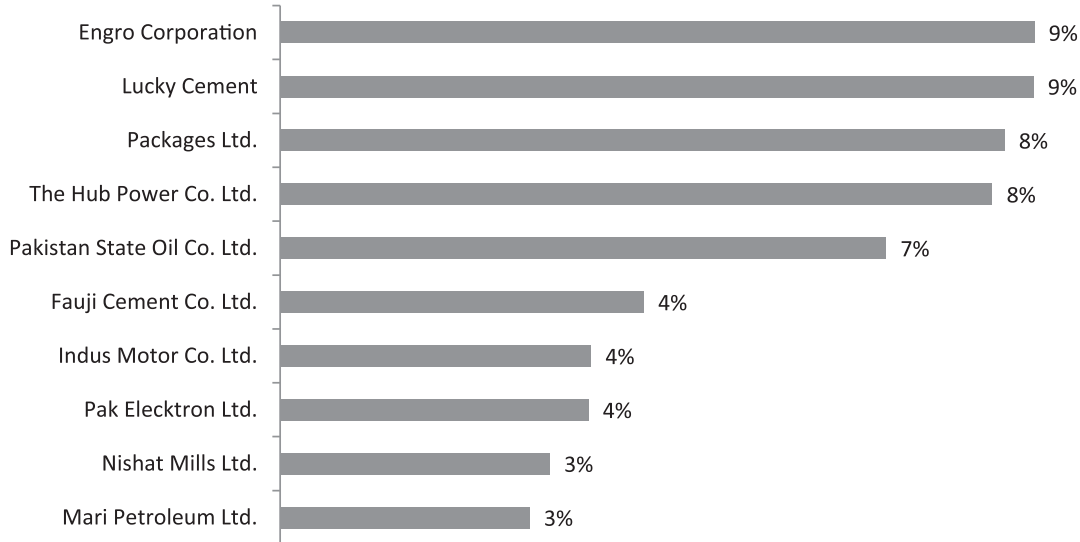
The performance of MIF is linked directly to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against that of high dividend stocks. Moreover, the fund manager strives to reduce equity exposure in times when the market is trading above valuations while increasing equity exposures near troughs.

During the year, the fund increased its equity exposure to as high as 100.00% in line with the market trend. However, it maintained an average exposure of 94.60% to equities during the year, while closing the year at 97.94%. The fund maintained heavy exposure to the Cement sector taking into consideration the profitability of this sector while it increased exposure in Power and Fertilizer sectors. However, exposure in Oil & Gas sector has been reduced due to weak outlook.

## Sector Allocation for the year ended FY14 and FY15



## Top Holdings



### Performance Review

During fiscal year 2015, Meezan Islamic Fund (MIF) provided a return of 21.64% to its investors while KSE Meezan Index (KMI 30) appreciated by 20.10% to close at 57,271.

MIF posted a total income of Rs. 3,920 million in the fiscal year 2015 as compared to Rs. 3,155 million last year. Total income comprised of unrealized gain on investments of Rs. 2,864 million and dividend income of Rs. 987 million while profit on savings account with banks amounted to Rs. 109 million. After accounting for expenses of Rs. 776 million, realized loss of Rs. 11 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 735 million, the Fund posted a net profit of Rs. 3,879 million. The net assets of the Fund as at June 30, 2015 were Rs. 27,403 million as compared to Rs. 16,622 million at the end of previous year depicting a rise of 65%. The net asset value per unit as at June 30, 2015 was Rs. 61.11 (cum dividend) as compared to Rs.50.24 per unit as on June 30, 2014.

	MIF	KMI-30
Net Asset Value (NAV) as on June 30, 2014 -Rs.	50.24	47,687
Net Asset Value (NAV) as on June 30, 2015 -Rs. (Dividend adjusted)	61.11	57,271
Return During the Period	21.64%	20.10%



### 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, 2015 an amount of Rs. 16.70 million was accrued as charity payable.

### Distributions

The Board of Directors of Al Meezan Investments in its meeting held on July 03, 2015 has approved a final cash dividend of 4.40% (Rs.2.20 per unit) for the year ended June 30, 2015. Total distribution made by the fund was Rs. 986.46 million.

### Fund Ranking

JCR-VIS Credit Rating Company has assigned the 'MFR 3-Star' for one year, 'MFR 4-Star' for three years and 'MFR 3-Star' for five years weighted average performance ranking to Meezan Islamic Fund.

### Breakdown of unit holdings by size:

(As on June 30, 2015)

Range (Units)	Number of investors
1 - 9,999	7,160
10,000 - 49,999	2,841
50,000 - 99,999	454
100,000 - 499,999	275
500,000 and above	69
<b>Total</b>	<b>10,799</b>



**Meezan Bank**  
The Premier Islamic Bank

**Report of the Shari'ah Advisor –Meezan Islamic Fund**

July 31, 2015/ Shawwal 14, 1436

In the capacity of *Shari'ah Advisor*, we have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non-Shari'ah compliant activities to Total assets (iv) Shari'ah Non Compliant Income to Gross Revenue (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *Shari'ah* compliance in line with the *Shari'ah* guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of MIF in light of *Shari'ah* requirements. Following is the list of the top investments of MIF as on June 30, 2015 and their evaluation according to the screening criteria established by us. (December 31, 2014 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)
Engro Corporation Ltd	Fertilizer	31.09	13.35	1.45	71.00	(-165.63)	221.51
Lucky Cement	Cement	13.24	0.00	0.85	82.00	(55.52)	500.28
Packages Ltd	Paper and Board	10.37	15.00	0.15	75.00	39.91	678.29
Hub Power Co Ltd	Power Generation and Distribution	20.94	0.04	0.06	30.00	5.42	78.36
Pakistan State Oil Ltd	Oil and Gas Marketing Companies	34.69	13.01	0.87	21.30	18.90	357.91

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**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)	
Fauji Cement Co. Ltd	Cement	25.94	0.00	0.70	89.00	(7.93)	25.84
Indus Motors Co. Ltd	Automobile Assembler	0.00	12.54	2.09	33.00	82.63	880.32
Pak Elektron Ltd	Cable and Electrical Goods	36.87	0.24	0.07	66.00	(35.63)	40.93
Nishat Mills Ltd***	Textile	24.39	36.24	1.43	52.00	57.07	120.99
Mari Petroleum Ltd	Oil & Gas Exploration Companies	17.80	0.00	1.05	30.96	(104.56)	44.25

\* 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 Investments to Total Investments' ratio.

- ii. On the basis of information provided by the management, all operations of MIF for the year ended June 30, 2015 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 MIF 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 16.03 million was created and an amount of Rupees 21.31 million was available for disbursement as of June 30, 2015.

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 UNIT HOLDERS**

**MEEZAN ISLAMIC FUND**

**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 Islamic Fund (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, 2015 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 23, 2015



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi Stock Exchange 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. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Atif Azim Mr. Moin M. Fudda
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Abdullah Ahmed Muhammad Syed Amir Ali Mr. Tasnimul Haq Farooqui 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. During the year, no casual vacancy occurred on the Board of the Management Company.
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, 2015.
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 unit holding.
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, two 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

Dated: September 8, 2015

Karachi.





**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 Islamic Fund (“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 2015 to comply with the requirements contained in the Listing Regulations of the Karachi Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code 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 of Directors’ 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 Audit Committee, and upon the recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 compliance of this requirement to the extent of approval of the 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 as applicable to the Fund for the year ended 30 June 2015.

**Date: 8 September 2015**

**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.



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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](http://www.kpmg.com.pk)

## Independent Auditors' Report to the Unitholders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Islamic Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015, and the related income statement and statement of comprehensive income, 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 2015, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

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.

*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: 8 September 2015**

**Karachi**

*KPMG Taseer Hadi & Co.*

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

# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Assets</b>			
Balances with banks	4	1,436,341	1,698,950
Investments	5	26,982,856	15,297,896
Receivable on conversion of units		462,040	-
Receivable against sale of investments (net)		268,775	-
Dividend receivable		67,461	15,254
Deposits, prepayment and other receivables	6	26,256	27,335
<b>Total assets</b>		<b>29,243,729</b>	<b>17,039,435</b>
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	7	205,037	82,432
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	2,409	1,405
Payable to Meezan Bank Limited (MBL)		1,109	2,804
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	21,037	11,563
Payable on redemption and conversion of units		1,400,139	20,228
Payable against purchase of investments (net)		-	178,972
Accrued expenses and other liabilities	10	211,281	120,266
<b>Total liabilities</b>		<b>1,841,012</b>	<b>417,670</b>
<b>Net assets</b>		<b>27,402,717</b>	<b>16,621,765</b>
Contingencies and commitments	11		
Unitholders' fund (as per statement attached)		<b>27,402,717</b>	<b>16,621,765</b>
		<b>(Number of units)</b>	
<b>Number of units in issue</b>	13	<b>448,391,488</b>	<b>330,854,335</b>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>61.11</b>	<b>50.24</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



Mazhar Sharif  
Director



# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Income</b>			
Dividend income		986,583	590,328
Profit on saving accounts with banks		108,627	88,039
Net realised (loss) / gain on sale of investments		(10,982)	1,368,946
Other income		35,813	22,845
		<b>1,120,041</b>	<b>2,070,158</b>
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.1 & 5.1.4.1	2,863,676	1,085,071
Impairment loss on 'available for sale' investments	5.2.2	(63,864)	-
		<b>2,799,812</b>	<b>1,085,071</b>
<b>Total income</b>		<b>3,919,853</b>	<b>3,155,229</b>
<b>Expenses</b>			
Remuneration to AI Meezan Investment Management Limited - Management Company	7.1	442,878	243,430
Sindh Sales Tax and Federal Excise Duty on Management Fee	7.2 & 7.3	147,921	83,218
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	23,144	13,171
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	21,037	11,563
Auditors' remuneration	14	547	570
Charity expense		16,033	10,209
Fees and subscription		40	30
Legal and professional charges		210	195
Brokerage		34,594	15,176
Bank and settlement charges		9,921	5,163
Provision for Workers' Welfare Fund (WWF)	12	79,158	64,858
Printing expenses		150	351
<b>Total expenses</b>		<b>775,633</b>	<b>447,934</b>
<b>Net income from operating activities</b>		<b>3,144,220</b>	<b>2,707,295</b>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		734,521	470,768
<b>Net income for the year before taxation</b>		<b>3,878,741</b>	<b>3,178,063</b>
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<b>3,878,741</b>	<b>3,178,063</b>
<b>Other comprehensive income for the year</b>			
<b>Items that can be reclassified to income statements in subsequent periods</b>			
Unrealised appreciation on re-measurement of investments classified as available for sale' (net)	5.2.2	765,465	302,086
<b>Total comprehensive income for the year</b>		<b>4,644,206</b>	<b>3,480,149</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



**Mazhar Sharif**  
Director

# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Undistributed income brought forward		
- Realised	89,236	1,838,271
- Unrealised	1,085,071	536,167
	<b>1,174,307</b>	2,374,438
Final distribution for the year ended June 30, 2014:		
- bonus units: nil (June 30, 2013 @ Rs. 17.50 per unit)	-	(2,655,025)
- cash dividend: nil (June 30, 2013 @ Rs. 17.50 per unit)	-	(1,859)
Interim distribution for the year ended June 30, 2015:		
- bonus units: nil (May 30, 2014 @ Rs. 7.65 per unit)	-	(2,068,741)
- cash dividend: nil (May 30, 2014 @ Rs. 7.65 per unit)	-	(1,293)
Total Distribution	-	(4,726,918)
Net income for the year	<b>3,878,741</b>	3,178,063
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>231,666</b>	348,724
Undistributed income carried forward	<b>5,284,714</b>	1,174,307
Undistributed income carried forward		
- Realised	<b>2,421,038</b>	89,236
- Unrealised	<b>2,863,676</b>	1,085,071
	<b>5,284,714</b>	1,174,307

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**



**Mazhar Sharif  
Director**

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Net assets at beginning of the year	16,621,765	9,476,313
Issue of 414,254,425 (2014: 180,308,411) units	22,869,873	9,295,386
Redemption of 296,717,272 (2014: 102,225,139) units	(15,998,606)	(5,156,163)
	6,871,267	4,139,223
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(734,521)	(470,768)
Issue of Nil bonus units for the year ended June 30, 2015 (June 30, 2014: 100,949,107 bonus units)	-	4,723,766
Net realised (loss) / gain on sale of investments	(10,982)	1,368,946
Unrealised appreciation in the value of investments (net)	3,565,277	1,387,157
Net other income for the year	1,089,911	724,046
Total comprehensive income for the year	4,644,206	3,480,149
Final distribution for the year ended June 30, 2014		
- Issue of Nil bonus units for the year ended June 30, 2014 (June 30, 2013: 59,105,633 bonus units)	-	(2,655,025)
- Cash distribution	-	(1,859)
Interim distribution for the year ended June 30, 2015		
- Issue of Nil bonus units for the year ended June 30, 2015 (June 30, 2014: 41,843,474 bonus units)	-	(2,068,741)
- Cash distribution	-	(1,293)
Total distribution	-	(4,726,918)
Net income for the year less distribution	4,644,206	(1,246,769)
Net assets at end of the year	27,402,717	16,621,765

(Rupees)

Net assets value per unit at beginning of the year	50.24	62.42
Net assets value per unit at end of the year	61.11	50.24

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**



**Mazhar Sharif  
Director**

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		3,878,741	3,178,063
<b>Adjustments for:</b>			
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.1 & 5.1.4.1	(2,863,676)	(1,085,071)
Impairment loss on 'available for sale' investments	5.2.2	63,864	-
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(734,521)	(470,768)
		<b>(3,534,333)</b>	<b>(1,555,839)</b>
<b>(Increase) / Decrease in assets</b>			
Investments (net)		(8,119,683)	(5,032,020)
Receivable against sale of investments (net)		(268,775)	-
Dividend receivable		(52,207)	(7,405)
Deposits and other receivables		1,079	(4,924)
		<b>(8,439,586)</b>	<b>(5,044,349)</b>
<b>Increase / (Decrease) in liabilities</b>			
Payable to AI Meezan Investment Management Limited - Management Company		122,605	50,091
Payable to Central Depository Company of Pakistan Limited - Trustee		1,004	526
Payable to Meezan Bank Limited		(1,695)	2,475
Payable to Securities and Exchange Commission of Pakistan		9,474	4,877
Payable against purchase of investments (net)		(178,972)	79,586
Accrued expenses and other liabilities		91,015	67,209
		<b>43,431</b>	<b>204,764</b>
<b>Net cash used in operating activities</b>		<b>(8,051,747)</b>	<b>(3,217,361)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuances of units		22,407,833	9,295,386
Dividend paid		-	(3,152)
Payment against redemption of units		(14,618,695)	(5,162,347)
<b>Net cash generated from financing activities</b>		<b>7,789,138</b>	<b>4,129,887</b>
Net increase in cash and cash equivalents during the year		(262,609)	912,526
Cash and cash equivalents at beginning of the year		1,698,950	786,424
Cash and cash equivalents at end of the year	4	<b>1,436,341</b>	<b>1,698,950</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



**Mazhar Sharif**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2015

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Islamic Fund (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 June 16, 2003 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 4, 2003 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, 2008). 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 of the Fund, is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-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. The objective of the Fund is to provide the maximum total return to the unitholders from investment in "Shariah Compliant" equity investments for the given level of risk, while abiding by the regulations and any other prevailing rules and regulations. For this purpose the fund shall invest at least seventy percent of its net assets in listed equity securities. The remaining net assets of the fund shall be invested in cash and cash equivalents not exceeding ninety days maturity. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. 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 listed on the Karachi 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. The Fund is categorized as an Open End Shariah Compliant (Islamic) Equity Scheme in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP).
- 1.4** The Management Company of the Fund has been given a quality rating of AM2+ and the fund is ranked at 'MFR 3-Star' for one year, 'MFR 4-Star' for three years and 'MFR 3-Star' for five years weighted average performance ranking by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

### 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 requirement of NBFC Rules, the NBFC Regulations 2008 and the said directives

differ with the requirements of these standards, the NBFC Rules, the NBFC Regulations, 2008 and the said directives shall prevail.

## **2.2 Basis of measurement**

These financial statements have been prepared on historical cost basis except for investments classified as 'at fair value through profit or loss' and 'available for sale'. These 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);
- c) Recognition of provision for Workers' Welfare Fund (note 12 and note 26.2); and
- d) Taxation (note 3.7.1, 20 and 26.1).

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- 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 amortisation 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. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Fund's financial statements.



- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Agriculture: Bearer Plants [Amendments 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 company 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. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Fund's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:



- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

These interpretations will not likely have an impact on the 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: at fair value through profit or loss, loans and receivables 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 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) 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'.

**c) 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 above.

**3.1.2 Regular way contracts**

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

**3.1.3 Recognition**

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

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

**3.1.4 Measurement**

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

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

Financial assets classified as 'loans and receivables' 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 shares of listed companies is based on their prices quoted on the Karachi Stock Exchange at the reporting date without any deduction for estimated future selling costs. The preference shares received as dividend in specie are carried at cost.

### **3.1.6 Impairment**

Impairment loss on investment other than 'available for sale' is recognised in the Income Statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed through the Income Statement.

In case of equity investment classified as 'available for sale', a significant or prolonged decline in the fair value of the equity 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 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 Issue 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 distributor 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 redemption price represents the net asset value per unit as of the 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**

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 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.

### **3.7 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in other comprehensive income.

#### *Current*

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, which arises from assessments / developments during the year.

#### *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 utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates.



3.7.1 The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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. Accordingly, Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 4B of Income Tax Ordinance, 2001).

Subsequent to the year end, the Management Company distributed sufficient income of the Fund for the year ended June 30, 2015, as reduced by capital gains (whether realised or unrealised) to its unitholders. Accordingly, no provision for current and deferred tax has been recognised in these financial statements (refer note 26.1).

### **3.8 Revenue recognition**

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- (ii) Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (iii) Profit on saving accounts with banks are recorded on effective yield method.

### **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 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.

### **3.11 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.

### **3.12 Distribution**

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

#### 4. BALANCES WITH BANKS

	Note	2015 (Rupees in '000)	2014
On current accounts		40,813	2,308
On saving accounts	4.1	1,395,528	1,696,642
		<u>1,436,341</u>	<u>1,698,950</u>

4.1 The balances in saving accounts have an expected profit ranging from 3.79% to 7.30% per annum (2014: 3.72% to 9.40% per annum).

#### 5. INVESTMENTS

Investments - 'at fair value through profit or loss'	5.1	22,973,934	10,611,206
Investments - 'available for sale'	5.2.1	4,008,922	4,686,690
		<u>26,982,856</u>	<u>15,297,896</u>

#### 5.1 Investments - 'at fair value through profit or loss'

Held for trading	5.1.1	22,570,106	10,366,703
Investments - 'at fair value through profit or loss upon initial recognition'	5.1.4	403,828	244,503
		<u>22,973,934</u>	<u>10,611,206</u>

#### 5.1.1 Held for trading - Ordinary Shares

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of total investments
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----
<b>Sector / Companies</b>									
<b>Automobile assembler</b>									
Honda Atlas Cars Pakistan Limited	-	3,532,000	-	262,000	3,270,000	599,586	715,084	115,498	2.65
Ghandhara Industries Limited	-	76,500	-	76,500	-	-	-	-	-
Indus Motor Company Limited	392,744	435,650	-	53,000	775,394	598,769	968,467	369,698	3.59
Millat Tractors Limited	2,700	138,500	-	-	141,200	89,272	96,838	7,566	0.36
Pakistan Suzuki Motor Company Limited	288,622	303,200	-	-	591,822	200,406	257,981	57,575	0.96
									<b>7.56</b>
<b>Automobile parts and accessories</b>									
Agriauto Industries Limited (note 5.1.2)	341,700	-	-	-	341,700	32,974	63,539	30,565	0.24
Thal Limited (note 5.1.2)	126,307	100,400	-	30,000	196,707	41,022	56,146	15,124	0.21
									<b>0.45</b>
<b>Chemicals</b>									
ICI Pakistan Limited	473,200	459,150	-	77,150	855,200	357,200	366,770	9,570	1.36
Sitara Chemicals Industries Limited	500	-	-	-	500	148	150	2	-
									<b>1.36</b>
<b>Cement</b>									
Attock Cement Pakistan Limited	1,037	883,200	-	-	884,237	185,512	168,536	(16,976)	0.62
Cherat Cement Company Limited	1,338,400	2,301,500	804,712	155,000	4,289,612	282,424	373,325	90,901	1.38
D.G. Khan Cement Company Limited	2,770,222	5,768,500	-	8,507,000	31,722	3,279	4,529	1,250	0.02
Fauji Cement Company Limited	26,936,000	21,024,500	-	13,220,000	34,740,500	888,692	1,211,401	322,709	4.49
Kohat Cement Company Limited	4,400	2,868,500	-	-	2,872,900	466,473	574,149	107,676	2.13
Lucky Cement Limited	3,559,879	2,656,600	-	1,568,100	4,648,379	1,985,113	2,415,391	430,278	8.95
Maple Leaf Cement Company Limited	-	12,900,000	-	4,460,000	8,440,000	495,225	663,046	167,821	2.46
Pioneer Cement Limited	1,713,000	5,001,000	-	-	6,714,000	432,401	572,637	140,236	2.12
									<b>22.17</b>
<b>Paper and Board</b>									
Packages Limited	172,379	1,730,300	-	42,100	1,860,579	1,128,718	1,105,333	(23,385)	4.10

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of total investments
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Technology and communication</b>									
Pakistan Telecommunication Company Limited "A"	18,563,037	11,255,000	-	14,504,000	15,314,037	366,245	313,938	(52,307)	<b>1.16</b>
<b>Refinery</b>									
Attock Refinery Limited	69,500	95,000	-	164,500	-	-	-	-	-
National Refinery Limited	331,605	-	-	328,700	2,905	626	674	48	-
<b>Miscellaneous</b>									
Shifa International Hospitals Limited	-	569,300	-	185,000	384,300	79,513	96,094	16,581	<b>0.36</b>
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	6,186,000	4,098,000	-	4,000	10,280,000	462,342	421,480	(40,862)	<b>1.56</b>
<b>Oil and gas Marketing Companies</b>									
Attock Petroleum Limited	251,479	126,100	-	-	377,579	216,773	214,170	(2,603)	0.79
Hascol Petroleum Limited (Note 11)	-	2,314,000	222,640	785,000	1,751,640	157,827	200,580	42,753	0.74
Pakistan State Oil Company Limited	2,969,323	2,075,200	-	1,730,400	3,314,123	1,266,149	1,278,556	12,407	4.74
Shell Pakistan Limited	76,500	10,000	-	34,000	52,500	14,152	13,280	(872)	0.05
Sui Northern Gas Pipelines Limited	3,951,000	3,642,500	-	1,601,500	5,992,000	151,213	159,627	8,414	0.59
<b>6.91</b>									
<b>Oil and gas Exploration Companies</b>									
Pakistan Oilfields Limited	2,394,047	159,300	-	913,550	1,639,797	916,190	662,183	(254,007)	2.45
Pakistan Petroleum Limited	3,753,650	2,543,100	-	6,203,300	93,450	20,421	15,350	(5,071)	0.06
Mari Petroleum Company Limited (Note 11)	467,500	3,423,880	179,980	2,300,030	1,771,330	656,500	830,045	173,545	3.08
Oil and Gas Development Company Limited	2,323,794	1,142,600	-	3,466,394	-	-	-	-	-
<b>5.59</b>									
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pakistan) Limited	415,100	68,150	-	5,000	478,250	271,456	319,141	47,685	1.18
Ferozsons Laboratories Limited	30,700	563,450	-	207,000	387,150	189,729	247,598	57,869	0.92
Glaxo Smithkline Pakistan Limited	58,520	-	-	55,000	3,520	584	688	104	-
The Searle Company Limited	-	1,425,500	-	172,700	1,252,800	323,387	401,760	78,373	1.49
<b>3.59</b>									
<b>Power Generation and Distribution</b>									
The Hub Power Company Limited	4,549,716	9,014,000	-	3,217,000	10,346,716	767,067	968,143	201,076	3.59
K - Electric Limited (note 5.1.2)	8,757,000	67,604,500	-	36,550,500	39,811,000	329,600	335,209	5,609	1.24
Kohinoor Energy Limited	1,189,500	-	-	-	1,189,500	49,269	60,070	10,801	0.22
Kot Addu Power Company Limited	-	695,000	-	695,000	-	-	-	-	-
Lalpir Power Limited	-	9,279,500	-	1,220,000	8,059,500	220,870	245,815	24,945	0.91
Pakgen Power Limited	105,000	1,520,000	-	150,000	1,475,000	48,740	44,265	(4,475)	0.16
<b>6.12</b>									
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron	-	13,275,000	-	860,000	12,415,000	743,170	1,027,217	284,047	<b>3.81</b>
<b>Fertilizer</b>									
Engro Corporation Limited (note 5.1.3)	-	11,588,700	-	3,125,600	8,463,100	2,216,100	2,511,848	295,748	9.31
Engro Fertilizer Limited	-	7,778,000	-	-	7,778,000	671,291	689,831	18,540	2.56
Fatima Fertilizer Company Limited	-	11,680,000	-	6,106,000	5,574,000	199,640	217,776	18,136	0.81
Fauji Fertilizer Bin Qasim Limited	1,924,749	1,050,000	-	2,965,000	9,749	487	539	52	-
Fauji Fertilizer Company Limited	2,958,959	3,149,900	-	6,106,300	2,559	310	382	72	-
<b>12.68</b>									
<b>Engineering</b>									
K.S.B. Pumps	-	45,400	-	-	45,400	6,438	6,311	(127)	<b>0.02</b>
<b>Food and Personal Care Products</b>									
Engro Foods Limited	2,694,421	5,994,100	-	3,537,900	5,150,621	649,247	780,010	130,763	<b>2.89</b>
<b>Textile Composite</b>									
Nishat Mills Limited	6,995,300	2,889,000	-	2,056,200	7,828,100	911,258	894,204	(17,054)	<b>3.31</b>
<b>Total</b>						<b>19,693,808</b>	<b>22,570,106</b>	<b>2,876,298</b>	
<b>Total cost of investments</b>							<b>18,902,058</b>		

**5.1.2** All shares have a nominal value of Rs 10 each except for the shares of Agriauto Industries Limited and Thal Limited which have a face value of Rs 5 each, and K Electric Limited which has face value of Rs. 3.5.

**5.1.3** 1,000,000 shares of Engro Corporation Limited having market value of Rs 297.00 million (June 30, 2014: 439,000 shares of Oil and Gas Development Company Limited, having market value of Rs 114.833 million) have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

**5.1.4 Investments - at fair value through profit or loss upon initial recognition**

	Note	2015 (Rupees in '000)	2014
Ordinary shares	5.1.4.1	<b>231,881</b>	244,503
Preference shares	5.1.4.2	<b>171,947</b>	-
		<b>403,828</b>	244,503

**5.1.4.1 Ordinary shares - listed**

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of total investments
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----
<b>Sector / Companies</b>									
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	5,650,206	-	-	-	5,650,206	244,315	231,659	(12,656)	<b>0.86</b>
<b>Paper and Board</b>									
Packages Limited	374	-	-	-	374	188	222	34	<b>0.00</b>
<b>Total</b>						<b>244,503</b>	<b>231,881</b>	<b>(12,622)</b>	
<b>Total cost of investments</b>							<b>57,329</b>		

**5.1.4.2 Preference shares - unlisted**

Name of Security	Note	2015	
		Number of Shares	Carrying value (Rupees in '000)
Mari Petroleum Company Limited - at cost	5.1.4.3	17,194,725	171,947

**5.1.4.3** In the current year Mari Petroleum Company Limited announced dividend in specie for distribution of undistributable balance standing in its accounts as at June 30, 2014 in the form of non-voting, non-cumulative, unlisted redeemable Preference Shares (debt instruments) having a face value of Rs. 10 each, in the ratio of Rs. 87.70 for every ordinary share held by the minority shareholders. Profit rate on preference shares is one year kibar prevailing on the last working day of each financial year plus 3 percent per annum and are redeemable at par in cash solely at the option of the issuer between 1st and 10th anniversary of the issue. As explained in note 1.2, the objective of the Fund is to provide the maximum total return by investing in equity instruments. Efforts are being made for divestment of these securities.

## 5.2 Investments categorised as 'available for sale'

### 5.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of total investments
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Sector / Companies</b>									
<b>Automobile Assemblers</b>									
Indus Motor Company Limited	53,068	-	-	-	53,068	12,165	66,282	54,117	0.25
Pakistan Suzuki Motor Company Limited	24,105	-	-	-	24,105	1,759	10,508	8,749	0.04
									<b>0.29</b>
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	124,880	-	-	-	124,880	1,552	5,120	3,568	0.02
BankIslami Pakistan Limited	500	-	375	-	875	5	9	4	-
									<b>0.02</b>
<b>Chemicals</b>									
ICI Pakistan Limited	59,975	-	-	-	59,975	7,795	25,721	17,926	0.10
<b>Cement</b>									
D.G. Khan Cement Company Limited	5,657,000	-	-	4,345,000	1,312,000	109,276	187,314	78,038	0.69
Lucky Cement Limited	179,000	-	-	-	179,000	68,002	93,012	25,010	0.34
									<b>1.03</b>
<b>Power Generation and Distribution</b>									
The Hub Power Company Limited	15,000,000	-	-	-	15,000,000	949,612	1,403,550	453,938	5.20
<b>Paper and Board</b>									
Packages Limited	2,200,000	-	-	-	2,200,000	1,047,945	1,306,976	259,031	4.84
<b>Food and Personal Care Products</b>									
Engro Foods Limited	3,600	-	-	-	3,600	377	545	168	-
<b>Oil and gas Marketing Companies</b>									
Pakistan State Oil Company Limited	1,914,500	-	-	-	1,914,500	519,035	738,595	219,560	2.73
<b>Oil and gas Exploration Companies</b>									
Oil and Gas Development Company Limited	3,786,700	-	-	3,786,700	-	-	-	-	-
Pakistan Oilfields Limited (note 5.2.3)	415,600	-	-	-	415,600	157,662	167,828	10,166	0.62
Pakistan Petroleum Limited	405,000	-	-	405,000	-	-	-	-	-
									<b>0.62</b>
<b>Refinery</b>									
National Refinery Limited (note 5.2.3)	151	-	-	-	151	28	35	7	-
<b>Textile Composite</b>									
Nishat Mills Limited	30,000	-	-	-	30,000	3,538	3,427	(111)	0.01
<b>Total</b>						<b>2,878,751</b>	<b>4,008,922</b>	<b>1,130,171</b>	
<b>Total cost of investments</b>						<b>2,878,751</b>			



### 5.2.2 Net unrealised appreciation / (diminution) on re-measurement of investment classified as 'available for sale'

	2015 (Rupees in '000)	2014
Market value of investment	4,008,922	4,686,690
Less: Cost of investments	2,878,751	4,321,984
	<b>1,130,171</b>	364,706
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year	364,706	62,620
	<b>765,465</b>	302,086
Impairment loss on listed equity securities classified as 'available for sale' - transferred to income statement	63,864	-
	<b>829,329</b>	302,086

5.2.3 During the year, an impairment loss amounting to Rs. 63.86 million was recognized on Pakistan Oilfields Limited and National Refinery Limited. There is no further impairment loss recognized as a result of impairment testing as at 30 June 2015.

### 6. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	Note	2015 (Rupees in '000)	2014
Deposits		2,610	2,600
Performance rating Fee		4	14
Profit receivable on saving accounts with banks		23,642	24,721
		<b>26,256</b>	27,335

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

	Note	2015	2014
Management fee	7.1	46,538	26,449
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	127,055	42,817
Sales load		10,763	4,718
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	20,676	8,443
Certificate charges		5	5
		<b>205,037</b>	82,432

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 two percent per annum for the year ended June 30, 2015.

7.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST, at the rate of 15 percent (till 30 June 2014 16 percent) was charged on the remuneration of Management Company and sales load.

**7.3** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent 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 High Court of 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. 119.678 million (till June 30, 2014 Rs. 38.55 million). Had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2015 would have been higher by Rs. 0.27 per unit (June 30, 2014 Rs. 0.12 per unit).

**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 asset value of the Fund.

The remuneration of the Trustee for the year ended June 30, 2015 and 2014 has been calculated as per the following applicable tariff:

Net assets	Tariff
From Rs 1 million to Rs 1,000 million	Rs. 0.7 million or 0.20% per annum of NAV, whichever is higher
On amount exceeding Rs 1,000 million	Rs. 2 million plus 0.10% per annum of NAV, on amount exceeding Rs. 1,000 million

**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 payable to Securities and Exchange Commission of Pakistan under regulation 62 read with Schedule II of NBFC Regulations.

**10. ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2015 (Rupees in '000)	2014
Workers' Welfare Fund payable	12	184,606	105,448
Charity payable	10.1	21,314	12,113
Withholding tax payable		4,796	281
Auditors' remuneration		410	433
Zakat payable		105	228
Printing expenses payable		29	495
Other payable		21	1,268
		<b>211,281</b>	<b>120,266</b>

**10.1** 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. 21.314 million (2014: Rs. 12.113 million) is outstanding in this regard after making charity payments of Rs. 7.5 million (2014: Rs. 9.25 million) to renowned charitable institutions. None of the directors of the Management Company were interested in any of donees.

## 11. CONTINGENCIES AND COMMITMENTS

The Finance Act, 2014, introduced amendments to Income Tax Ordinance, 2001. As a result of these amendments, companies are liable to withhold bonus shares at the rate of 5 percent. These shares will be released upon payments of tax by shareholders. The value of tax will be computed on the basis of day-end price on the first day of book closure.

In this regard, a Constitutional Petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

In the current year, Mari Petroleum Company Limited and Hascol Petroleum Limited issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These haven't been deposited by the Company with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

There were no commitments outstanding as at June 30, 2015.

## 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, a Constitutional Petition has been filed by certain CISs through their Trustees in the High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year 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 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 larger 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, SHC has not addressed the other amendments made in WWF Ordinance, 1971 about applicability of WWF to the CISs which is still pending before the SHC.

The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. Therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2015 amounting to Rs. 184.606 million which includes Rs. 79.158 million pertaining to the current year and Rs. 105.448 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 0.41 (0.67%).

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. 89.304 million.

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015. As this change has been made in the definition, no provision prospectively is being made. The matter regarding previous years would need to be clarified by Regulatory bodies / Courts.

### 13. NUMBER OF UNITS IN ISSUE

13.1 The movement in number of units in issue during the year is as follows:

	2015 (Number of units)	2014
Total units in issue at beginning of the year	330,854,335	151,821,956
Units issued during the year	414,254,425	180,308,411
Bonus units issued during the year	-	100,949,107
Units redeemed during the year	(296,717,272)	(102,225,139)
Total units in issue at end of the year	<u>448,391,488</u>	<u>330,854,335</u>

13.2 The Fund may issue the following classes of units:

Class	Description
A	Units that shall be charged with no sales load.
B	Units that shall be charged with front-end load.
C	Units that shall be charged with back-end load.
D	Units that shall be charged with contingent load.

13.3 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; and
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

### 14. AUDITORS' REMUNERATION

	2015 (Rupees in '000)	2014
Statutory Audit Fee	310	310
Half yearly review	135	135
Other certifications and services	100	100
Out of pocket expenses	2	25
	<u>547</u>	<u>570</u>

## 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 and 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, Al Meezan Investment Management Limited - Employees' Gratuity Fund and Unitholders holding 10 percent or more units 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, NBFC Regulations, 2008 and the Trust Deed respectively.

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

	2015 (Rupees in '000)	2014
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	46,538	26,449
Sindh Sales Tax and Federal Excise Duty on management fee payable	127,055	42,817
Sales load payable	10,763	4,718
Sindh Sales Tax and Federal Excise Duty on sales load payable	20,676	8,443
Certificate charges payable	5	5
Investment of 12,251,197 units (June 30, 2014: 200,089 units)	748,671	10,052
<b>Meezan Bank Limited</b>		
Bank balance	451,327	239,171
Sales load payable	1,109	2,804
Investment in 16,055,086 shares (June 30, 2014: 11,961,086 shares)	658,259	517,198
Investment of 15,675,049 units (June 30, 2014: 21,475,049 units)	957,902	1,078,883
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	2,409	1,405
Deposits	100	100
<b>Al Meezan Investment Management Limited - Employees Gratuity Fund</b>		
Investment in 120,915 units (June 30, 2014: 120,915 units)	7,389	6,075
<b>Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan</b>		
Investment in 3,987,725 units (June 30, 2014: 4,553,883 units)	243,690	228,787
<b>Meezan Financial Planning Fund of Funds - Moderate Allocation Plan</b>		
Investment in 3,075,363 units (June 30, 2014: 2,501,604 units)	187,935	125,681
<b>Meezan Financial Planning Fund of Funds - Conservative Allocation Plan</b>		
Investment in 1,465,973 units (June 30, 2014: 1,689,514 units)	89,586	84,881



	2015 (Rupees in '000)	2014
<b>Meezan Financial Planning Fund of Funds - MCPP - I</b> Investment in 20,807,623 units (June 30, 2014: nil units)	<u>1,271,554</u>	-
<b>Meezan Financial Planning Fund of Funds - MCPP - II</b> Investment in 25,627,412 units (June 30, 2014: nil units)	<u>1,566,091</u>	-
<b>Meezan Capital Preservation Fund-III</b> Investment in 42,727,003 units (June 30, 2014: 43,353,018 units)	<u>2,611,047</u>	<u>2,178,056</u>
<b>Meezan Capital Preservation Fund-II</b> Investment in 24,168,267 units (June 30, 2014: 19,855 units)	<u>1,476,923</u>	998
<b>Directors and executives of the Management Company</b> Investment of 4,815,135 units (June 30, 2014: 3,884,134 units)	<u>294,253</u>	<u>195,139</u>

**For the year ended  
June 30,**

	2015 (Rupees in '000)	2014
<b>AI Meezan Investment Management Limited - Management Company</b> Remuneration for the year	<u>442,878</u>	243,430
Sindh Sales Tax and Federal Excise Duty on management fee	<u>147,921</u>	83,218
Bonus units issued: nil units (2014: 26,812 units)	-	1,326
Units Issued: 12,051,108 units (2014: 4,690,954 units)	<u>671,919</u>	213,488
Units Redeemed: nil units (2014: 4,517,677 units)	-	210,253
<b>Meezan Bank Limited</b> Profit on saving accounts	<u>7,579</u>	14,095
Bonus units issued: nil units (2014: 8,091,584 units)	-	376,481
Shares purchased during the year: 4,098,000 shares (2014: 8,204,000 shares)	<u>195,039</u>	319,194
Shares disposed off during the year: 4,000 shares (2014: 4,126,236 shares)	<u>220</u>	160,835
Units Redeemed: 5,800,000 units (2014: nil units)	<u>318,791</u>	-
Dividend Income	<u>38,124</u>	14,857
<b>Central Depository Company of Pakistan Limited - Trustee</b> Trustee fee	<u>23,144</u>	13,171
CDS charges	<u>1,274</u>	831
<b>AI Meezan Investment Management Limited - Employees' Gratuity Fund</b> Bonus units issued: nil units (2014: 45,806 units)	-	2,132
<b>Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan</b> Units Issued: 1,710,043 units (2014: 1,910,183 units)	<u>93,989</u>	95,048
Bonus units issued: nil units (2014: 1,744,688 units)	-	80,719
Units Redeemed: 2,276,201 units (2014: 2,059,955 units)	<u>126,002</u>	103,882
Transaction Cost received from the Fund	<u>221</u>	238

**For the year ended  
June 30,**

**2015                  2014**  
**(Rupees in '000)**

**Meezan Financial Planning Fund of Funds - Moderate Allocation Plan**

Units Issued: 2,373,939 units (2014: 1,751,878 units)  
 Bonus units issued: nil units (2014: 786,497 units)  
 Units Redeemed: 1,800,180 units (2014: 1,237,989 units)  
 Transaction Cost received from the Fund

<b>133,293</b>	89,572
-	36,615
<b>102,182</b>	61,439
<b>238</b>	224

**Meezan Financial Planning Fund of Funds - Conservative Allocation Plan**

Units Issued: 1,440,048 units (2014: 1,129,793 units)  
 Bonus units issued: nil units (2014: 647,039 units)  
 Units Redeemed: 1,663,589 units (2014: 1,122,355 units)  
 Transaction Cost received from the Fund

<b>76,710</b>	55,494
-	30,032
<b>93,682</b>	56,275
<b>169</b>	139

**Meezan Financial Planning Fund of Funds - MCPP - I**

Units Issued: 37,483,260 units (2014: nil units)  
 Units Redeemed: 16,675,637 units (2014: nil units)  
 Transaction Cost received from the Fund

<b>2,080,138</b>	-
<b>896,500</b>	-
<b>3,362</b>	-

**Meezan Financial Planning Fund of Funds - MCPP - II**

Units Issued: 64,850,238 units (2014: nil units)  
 Units Redeemed: 39,222,826 units (2014: nil units)  
 Transaction Cost received from the Fund

<b>3,815,409</b>	-
<b>2,201,000</b>	-
<b>3,619</b>	-

**Meezan Capital Preservation Fund-III**

Units Issued: 44,399,782 units (2014: 46,067,762 units)  
 Bonus units issued: nil units (2014: 4,981,724 units)  
 Units Redeemed: 45,025,797 units (2014: 7,696,467 units)  
 Transaction Cost received from the Fund

<b>2,378,900</b>	2,503,899
-	246,296
<b>2,398,423</b>	427,000
<b>3,132</b>	6,275

**Meezan Capital Preservation Fund-II**

Units Issued: 50,605,521 units (2014: 19,855 units)  
 Units Redeemed: 26,457,109 units (2014: Nil units)  
 Transaction Cost received from the Fund

<b>2,760,675</b>	998
<b>1,410,380</b>	-
<b>4,325</b>	3

**Directors and executives of the Management Company**

Units issued: 3,245,631 units (2014: 366,559 units)  
 Bonus units issued: Nil units (2014: 1,594,584 units)  
 Units Redeemed: 2,314,630 units (2014: 826,634 units)

<b>184,726</b>	19,418
-	73,994
<b>138,575</b>	40,056

## 16. FINANCIAL INSTRUMENTS BY CATEGORY

	2015				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	1,436,341	-	-	-	1,436,341
Investments	-	22,973,934	4,008,922	-	26,982,856
Receivable on conversion of units	462,040	-	-	-	462,040
Receivable against sale of investments	268,775	-	-	-	268,775
Dividend receivable	67,461	-	-	-	67,461
Deposits and other receivables	26,252	-	-	-	26,252
	<u>2,260,869</u>	<u>22,973,934</u>	<u>4,008,922</u>	<u>-</u>	<u>29,243,725</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	205,037	205,037
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	2,409	2,409
Payable to Meezan Bank Limited	-	-	-	1,109	1,109
Payable on redemption and conversion of units	-	-	-	1,400,139	1,400,139
Accrued expenses and other liabilities	-	-	-	21,774	21,774
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,630,468</u>	<u>1,630,468</u>
2014					
	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
(Rupees in '000)					
<b>On balance sheet - financial assets</b>					
Balances with banks	1,698,950	-	-	-	1,698,950
Investments	-	10,611,206	4,686,690	-	15,297,896
Dividend receivable	15,254	-	-	-	15,254
Deposits and other receivables	27,321	-	-	-	27,321
	<u>1,741,525</u>	<u>10,611,206</u>	<u>4,686,690</u>	<u>-</u>	<u>17,039,421</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	82,432	82,432
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	1,405	1,405
Payable to Meezan Bank Limited	-	-	-	2,804	2,804
Payable against purchase of investments	-	-	-	178,972	178,972
Payable on redemption and conversion of units	-	-	-	20,228	20,228
Accrued expenses and other liabilities	-	-	-	14,309	14,309
	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,150</u>	<u>300,150</u>

## 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 Securities and Exchange Commission of Pakistan (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 dividends receivable on equity securities, receivable against conversion of units and receivable against sale of investments.

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 securities are executed through approved brokers and in case of equity, transactions are settled through National Clearing Company of Pakistan Limited (NCCPL), thus the risk of default is considered to be minimal. 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.

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, 2015 along with comparative is tabulated below:

	2015	2014
	(Rupees in '000)	
<b>Financial assets</b>		
Balances with banks	1,436,341	1,698,950
Investments - preference shares	171,947	-
Receivable on conversion of units	462,040	-
Receivable against sale of investments	268,775	-
Dividend receivable	67,461	15,254
Deposits and other receivables	26,256	27,335
	<b>2,432,820</b>	<b>1,741,539</b>

Credit Rating wise analysis of balances with bank of the Fund are tabulated below:

	2015	2014
	(Percentage)	
AAA	31.11	0.15
AA+	3.03	7.56
AA	32.73	14.46
A+	0.01	-
A	33.12	77.83
	<b>100.00</b>	<b>100.00</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, 2015.

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the Fund does not expect non-performance by these counter parties on their obligations to the Fund.

## 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 offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholders' redemptions at any time. The Fund manages its 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. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

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. However, no such borrowing has been obtained 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 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 year.

In addition to unitholders Fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2015 along with comparative is tabulated below:

	2015				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
(Rupees in '000)					
Payable to Al Meezan Investment Management Limited - Management Company	205,037	-	-	-	205,037
Payable to Central Depository Company of Pakistan Limited - Trustee	2,409	-	-	-	2,409
Payable to Meezan Bank Limited	1,109	-	-	-	1,109
Payable on redemption and conversion of units	1,400,139	-	-	-	1,400,139
Accrued expenses and other liabilities	21,774	-	-	-	21,774
	<b>1,630,468</b>	-	-	-	<b>1,630,468</b>



	2014				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited - Management Company	82,432	-	-	-	82,432
Payable to Central Depository Company of Pakistan Limited - Trustee	1,405	-	-	-	1,405
Payable to Meezan Bank Limited	2,804	-	-	-	2,804
Payable on redemption and conversion of units	20,228	-	-	-	20,228
Payable against purchase of investments	178,972	-	-	-	178,972
Accrued expenses and other liabilities	14,309	-	-	-	14,309
	<u>300,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,150</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 unit holders 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 Securities and Exchange Commission of Pakistan. Further, it 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 reporting date are disclosed in note 5 to these financial statements. As at June 30, 2015, 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 net assets of the Fund will increase / (decrease) by Rs 268.11 million (2014: Rs 152.98 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, 2015 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, 2015 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### 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.

#### *Cash flow interest rate risk*

The Fund's interest risk arises from the balances in saving accounts and investment in preference shares.

During the year ended June 30, 2015, the net income would have increased / (decreased) by Rs. 15.675 million (2014: Rs. 16.966 million) had the interest rates on saving accounts with banks increased / (decreased) by 100 basis points.

#### *Fair value interest rate risk*

Since the Fund does not have any 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 of 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 unitholder 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 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 requirements of sub-regulation 54(3a) of NBFC Regulation, 2008 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 and all existing Open End Schemes shall ensure compliance with this minimum scheme size limit by the first day of July, 2012.

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 VALUE 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. 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 Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

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

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

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

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

The following table presents assets that are measured at fair value as at June 30, 2015:

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Assets</b>				
Financial assets - Held for trading	22,570,106	-	-	22,570,106
Financial assets 'at fair value through profit and loss upon initial recognition'	231,881	-	-	231,881
Financial assets available for sale	4,008,922	-	-	4,008,922
	<b>26,810,909</b>	-	-	<b>26,810,909</b>

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

Financial assets - Held for trading	10,366,703	-	-	10,366,703
Financial assets 'at fair value through profit and loss upon initial recognition'	244,503	-	-	244,503
Financial assets available for sale	4,686,690	-	-	4,686,690
	<b>15,297,896</b>	-	-	<b>15,297,896</b>

## 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 percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that for the purpose of determining distribution of at least 90 percent of accounting income, the income distributed through bonus units shall not be taken into accounts. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of the net accounting income other than capital gains to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current year as subsequent to the year end, the Management Company distributed sufficient income of the Fund for the year ended June 30, 2015, as reduced by capital gains (whether realised or unrealised) to its unitholders (refer note 26.1).

## 21. PERFORMANCE TABLE

	2015	2014	2013	2012
Net assets (Rs. '000) (ex-distribution)	<b>26,416,256</b>	16,621,765	9,474,454	5,342,232
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>58.91</b>	50.24	44.92	41.41
Offer price per unit as at June 30, (Rs.) (ex-distribution)	<b>60.48</b>	51.72	46.26	42.36
Highest offer price per unit (Rs.)	<b>63.92</b>	59.29	66.85	53.60
Lowest offer price per unit (Rs.)	<b>48.78</b>	45.76	43.73	40.10
Highest redemption price per unit (Rs.)	<b>62.26</b>	57.60	65.32	52.39
Lowest redemption price per unit (Rs.)	<b>47.40</b>	44.45	42.75	39.20
Distribution (%)	-	15.30	35.00	16.50
Date of distribution	-	May 30, 2014	July 8, 2013	July 9, 2012
Income distribution (Rupees in '000)	-	1,293	1,859	927
Growth distribution (Rupees in '000)	-	2,068,741	2,655,025	886,753
Total return (%)	<b>21.64</b>	28.87	50.74	19.46
Average annual return as at June 30, 2015	<b>One Year 21.64%</b>	Two Year 25.20%	Three Year 33.19%	Four Year 29.62%

### 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 17.

## 22. INVESTMENT COMMITTEE MEMBERS

### 22.1 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 five years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Nineteen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Eleven years
Mr. Asif Mobin	VP Investments	MBA	Seventeen years
Mr. Ahmed Hassan	VP Investments	CFA / MBA	Eight years
Mr. Zain Malik	AVP Investments	CFA level II / BBA	Six years
Mr. Fahad Sultan Shaikh	Head of Risk Management	ACA / B. Com	Eight years

**22.2** The Fund manager of the Fund is Mr. Muhammad Asad. Other Fund being managed by the Fund manager is Meezan Tahaffuz Pension Fund.

### 23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein				
		August 28, 2014	October 29, 2014	February 20, 2015	April 15, 2015	May 15, 2015
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	Yes	Yes	Yes	No	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	No
Mr. Atif Azim	Director	Appointed w.e.f December 31, 2014		Yes	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	No	Yes	No
Mr. Mazhar Sharif	Director	No	Yes	Yes	No	Yes
Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Appointed w.e.f December 31, 2014		Yes	Yes	Yes

### 24 TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2015 (Percentage)
1. JS Global Capital Limited	14.81
2. Shajar Capital Pakistan (Private) Limited	12.61
3. Fortune Securities Limited	11.08
4. AKD Securities Limited	9.15
5. Optimus Capital Management (Private) Limited	7.88
6. Elixir Securities Pakistan (Private) Limited	6.91
7. KASB Securities Limited	6.56
8. Foundation Securities (Private) Limited	4.88
9. BMA Capital Management Limited	4.74
10. Arif Habib Securities Limited	4.03

Broker's Name	2014 (Percentage)
1. Fortune Securities Limited	11.83
2. Shajar Capital Pakistan (Private) Limited	11.09
3. JS Global Capital Limited	8.84
4. Optimus Capital Management (Private) Limited	8.78
5. Elixir Securities Pakistan (Private) Limited	7.74
6. Standard Capital Securities (Private) Limited	6.28
7. Foundation Securities (Private) Limited	5.57
8. Global Securities Pakistan Limited	5.01
9. Top Line Securities (Private) Limited	4.82
10. Ample Securities (Private) Limited	4.68



## 25. PATTERN OF UNIT HOLDING

	As at June 30, 2015		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment (Percentage)
Individuals	10,363	12,161,952	44.38
Associated companies / directors	14	9,436,006	34.43
Insurance companies	15	1,191,331	4.35
Banks / DFIs	1	20	-
Retirement funds	242	3,216,035	11.74
Others	164	1,397,373	5.10
<b>Total</b>	<b>10,799</b>	<b>27,402,717</b>	<b>100.00</b>

	As at June 30, 2014		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment (Percentage)
Individuals	7,133	8,201,465	49.34
Associated companies / directors	11	3,880,893	23.35
Insurance companies	12	1,311,884	7.89
Banks / DFIs	2	70,457	0.42
Retirement funds	230	2,620,588	15.77
Others	139	536,478	3.23
<b>Total</b>	<b>7,527</b>	<b>16,621,765</b>	<b>100.00</b>

## 26. SUBSEQUENT EVENTS


**26.1** The Board of Directors in its meeting held on July 3, 2015 has announced a final cash dividend of 4.40% (Rs. 2.20 per unit) amounting to Rs 986.46 million. The financial statements for the year ended June 30, 2015 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2016.

**26.2** In accordance with Finance Act, 2015, the Fund has discontinued provision for Workers Welfare Fund from July 1, 2015.

## 27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 08, 2015 by the Board of Directors of the Management Company.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Mazhar Sharif**  
Director

## PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2015

UNITS HELD BY	UNITS HELD	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	12,251,197	2.73
Meezan Bank Limited	15,675,049	3.50
Al Meezan Investment Management Limited - Employees Gratuity Fund	120,915	0.03
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan	3,987,725	0.89
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan	3,075,363	0.69
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan	1,465,973	0.33
Meezan Financial Planning Fund of Funds - Capital Preservation Plan I	20,807,623	4.64
Meezan Financial Planning Fund of Funds - Capital Preservation Plan II	25,627,412	5.72
Meezan Capital Preservation Fund-III	42,727,003	9.53
Meezan Capital Preservation Fund-II	24,168,267	5.39
<b>Directors</b>		
Mr. Ariful Islam	332,799	0.07
Syed Amir Ali	998	0.00
Mr. Mazhar Sharif	34,644	0.01
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	4,127,087	0.92
<b>Executives</b>	319,607	0.07
<b>Public Limited Companies</b>	-	-
<b>Banks and financial institutions</b>	320	0.00
<b>Individuals</b>	194,887,113	43.46
<b>Retirement Funds</b>	52,624,084	11.74
<b>Other Corporate Sector Entities</b>	22,865,246	5.10
<b>Insurance Companies</b>	19,493,787	4.35
<b>Non-Profit Organisations</b>	3,799,276	0.85
<b>Total</b>	<b>448,391,488</b>	<b>100</b>

20  
YEARS  
Celebration

almeezan  
mutual fund  
ميزان





# AL MEEZAN MUTUAL FUND (AMMF)

Al Meezan Mutual Fund aims to optimize the total investment returns in the form of capital gains and dividend income by judicious management of investments.

# 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  
Website: 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. Abdullah Ahmed Muhammad	Non-Executive	
Syed Amir Ali	Non-Executive	
Mr. Atif Azim	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Moin M. Fudda	Independent	
Mr. Mazhar Sharif	Non-Executive	
Mr. Mohammad Shoaib, CFA	Chief Executive	
Syed Amir Ali Zaidi	Non-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 SultanTrust Building No.2, Beaumont Road, Karachi - 75530.

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)	Habib Metropolitan Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking	MCB Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking	Meezan Bank Limited
BankIslami Pakistan Limited	National Bank of Pakistan - Islamic Banking
Burj Bank Limited	UBL Ameen - Islamic Banking
Dubai Islamic Bank	

## 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  
Website: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



# REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2015

Al Meezan Mutual Fund (AMMF) is an open end equity fund investing in Shariah compliant listed equity securities.

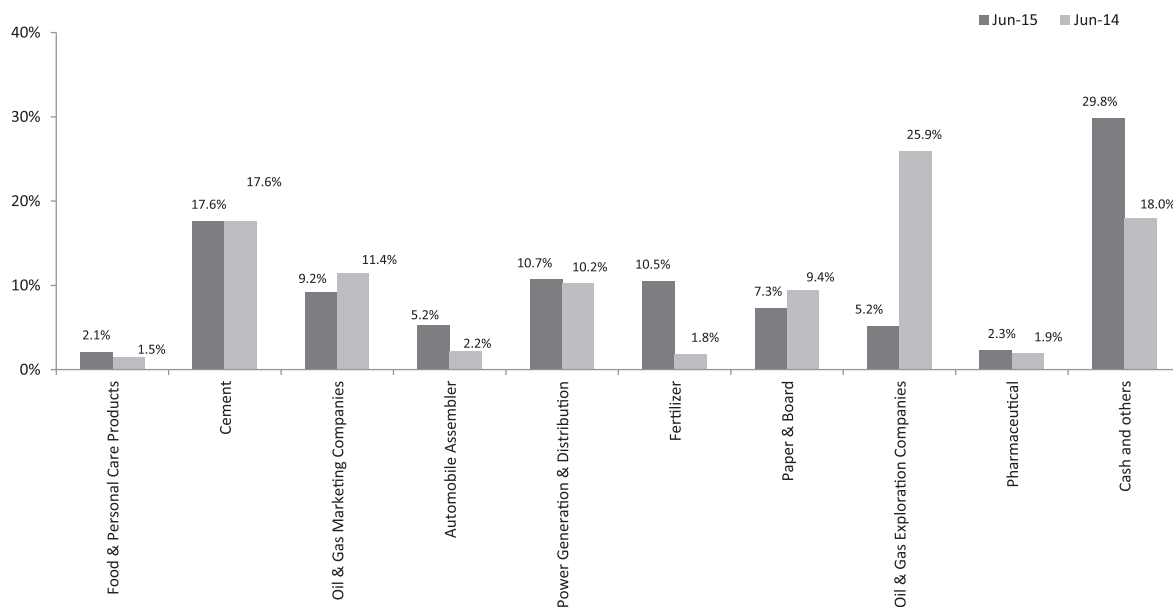
The objective of AMMF is to provide maximum total return to the shareholders from investment in "Shariah compliant" equity investments for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

## Strategy, Investment Policy and Asset Allocation

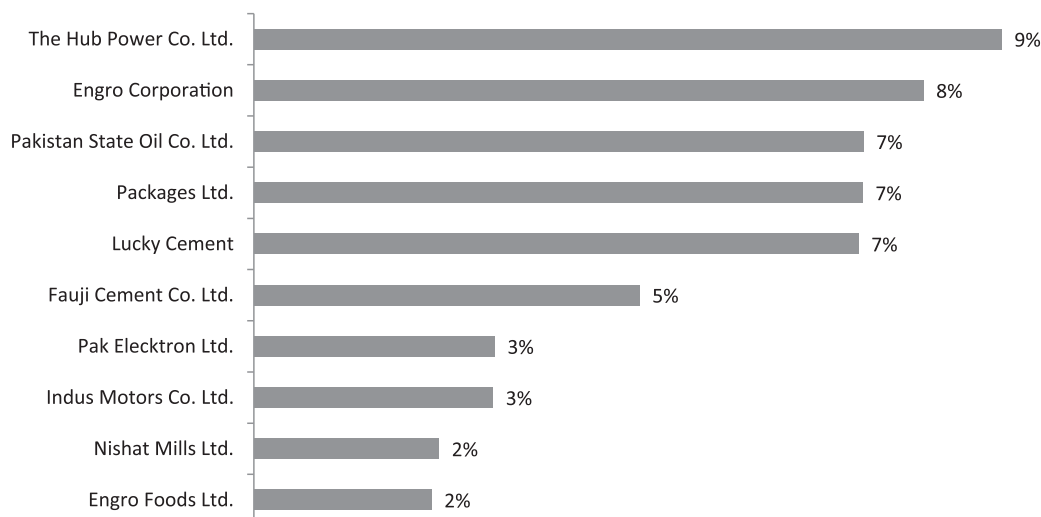
The performance of AMMF is directly linked to the performance of the equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against that of high dividend stocks. Moreover, the fund manager strives to reduce equity exposure in times when the market is trading above valuations while increasing equity exposure near troughs.

AMMF remained on average 96.70% invested in equities. Beginning and ending exposures were 96.72% and 88.92% respectively. Although allocation remained diversified across sectors, major holdings remain concentrated in Construction and Power sectors. However, exposure in Oil & Gas sector was reduced due to weak outlook.

## Sector Allocation for the year ended FY14 and FY15



## Top Holdings

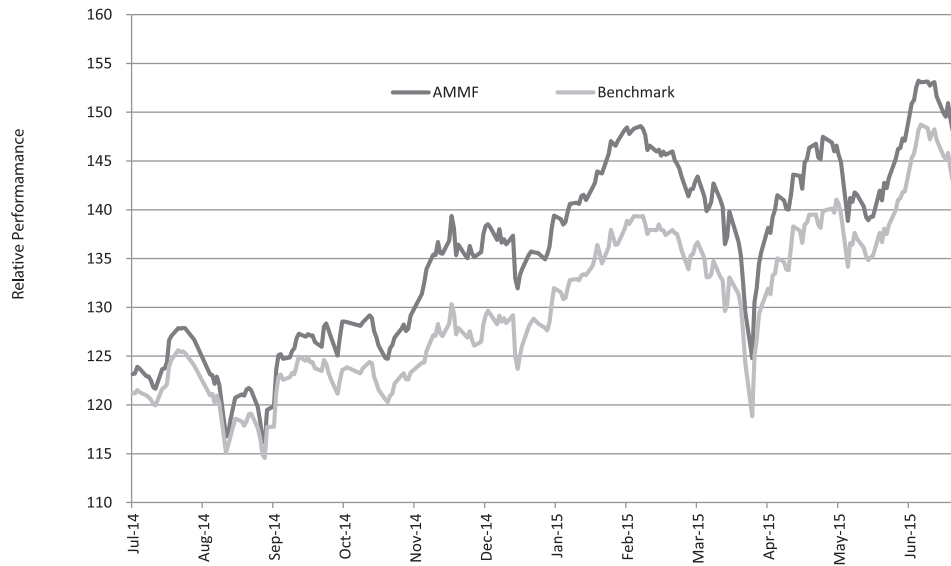


### Performance Review

During the fiscal year 2015, Al Meezan Mutual Fund (AMMF) provided a return of 22.02% to its investors while the KSE Meezan Index (KMI 30) appreciated by 20.10% to close at 57,271.

The Fund earned a gross income of Rs. 611 million in the fiscal year 2015 as compared to Rs. 716 million last year. Total income comprised of realized and unrealized capital gains on investments of Rs. 51 million and Rs. 395 million respectively. Dividend income contributed Rs. 153 million to the income, while profit on savings account with banks amounted to Rs. 9 million. After accounting for expenses of Rs. 115 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 65 million, the Fund posted a net income of Rs. 562 million. The net assets of the Fund as at June 30, 2015 were Rs. 4,007 million as compared to Rs. 2,847 million at the end of year depicting a rise of 40.74%. The net asset value per unit as at June 30, 2015 was Rs. 16.28 as compared to Rs. 13.90 per unit as on June 30, 2014.

	<b>AMMF (NAV)</b>	<b>KMI-30 (Index Points)</b>
Net Asset Value (NAV) as on June 30, 2014- Rs.	13.90	47,687
Net Asset Value (NAV) as on June 30, 2015- Rs. (Dividend Adjusted)	16.28	57,271
Return During the Period	<b>22.02%</b>	<b>20.10%</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, 2015 an amount of Rs. 2.42 million was accrued as charity payable.

### Distributions

The Board of Directors of Al Meezan Investments in its meeting held on July 3, 2015 approved nil final distribution for the year ended June 30, 2015. The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2015 was Rs. 0.68 per unit (6.80%). Total distribution made by the fund was Rs. 142.03 million.

### Breakdown of unit holdings by size:

(As on June 30, 2015)

Range (Units)	Number of investors
1 - 9,999	1,526
10,000 - 49,999	713
50,000 - 99,999	229
100,000 - 499,999	191
500,000 and above	53
<b>Total</b>	<b>2,712</b>



**Meezan Bank**  
The Premier Islamic Bank

**Report of the Shari'ah Advisor – Al Meezan Mutual Fund**

July 31, 2015/Shawwal 14, 1436

In the capacity of *Shari'ah Adviser*, we have prescribed six criteria for *Shari'ah* compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non- *Shari'ah* compliant activities to Total assets (iv) *Shari'ah* Non-Compliant Income to Gross Revenue (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *Shari'ah* compliance 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 AMMF in light of *Shari'ah* requirements. Following is the list of the top investments of AMMF as on June 30, 2015 and their evaluation according to the screening criteria established by us. (December 31, 2014 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)
Hub Power Co Ltd	Power Generation and Distribution	20.94	0.04	0.06	30.00	5.42	78.36
Engro Corporation Ltd	Fertilizer	31.09	13.35	1.45	71.00	(-165.63)	221.51
Pakistan State Oil Ltd	Oil and Gas Marketing Companies	34.69	13.01	0.87	21.30	18.90	357.91
Packages Ltd	Paper and Board	10.37	15.00	0.15	75.00	39.91	678.29
Lucky Cement	Cement	13.24	0.00	0.85	82.00	(55.52)	500.28
Fauji Cement Co. Ltd	Cement	25.94	0.00	0.70	89.00	(7.93)	25.84

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**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)	
Pak Elektron Ltd	Cable and Electrical Goods	36.87	0.24	0.07	66.00	(35.63)	40.93
Indus Motors Co. Ltd	Automobile Assembler	0.00	12.54	2.09	33.00	82.63	880.32
Nishat Mills Ltd***	Textile	24.39	36.24	1.43	52.00	57.07	120.99
Engro Foods Ltd	Food and Personal Care Products	34.09	0.00	0.03	80.00	(11.61)	108.54

\* 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 Investments to Total Investments' ratio.

- ii. On the basis of information provided by the management, all operations of AMMF for the year ended June 30, 2015 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 AMMF 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 2.42 million was created and an amount of Rupees 4.66 million was available for disbursement as of June 30, 2015.

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 UNIT HOLDERS**

**AL MEEZAN MUTUAL FUND**

**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 Al Meezan Mutual Fund (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, 2015 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 23, 2015



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Islamabad Stock Exchange 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. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Atif Azim Mr. Moin M. Fudda
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Abdullah Ahmed Muhammad Syed Amir Ali Mr. Tasnimul Haq Farooqui 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. During the year, no casual vacancy occurred on the Board of the Management Company.
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, 2015.
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 unit holding.
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, two 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.

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**Mohammad Shoaib, CFA**

Chief Executive

Dated: September 8, 2015

Karachi.



**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 Al Meezan Mutual Fund (“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 2015 to comply with the requirements contained in the Listing Regulations of the Islamabad Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code 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 of Directors’ 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 Audit Committee, and upon the recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 compliance of this requirement to the extent of approval of the 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 as applicable to the Fund for the year ended 30 June 2015.

**Date: 8 September 2015**

**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 **Al Meezan Mutual Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015, and the related income statement and statement of comprehensive income, 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 2015, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

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.

*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: 8 September 2015**

**Karachi**

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

# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Assets</b>			
Balances with banks	4	565,374	84,389
Investments	5	3,547,041	2,792,828
Receivable against sale of investments		30,896	77,846
Receivable on conversion of units		802,517	-
Dividend receivable		4,586	2,515
Deposit, prepayments and other receivables	6	6,439	6,075
<b>Total assets</b>		<b>4,956,853</b>	<b>2,963,653</b>
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	7	30,084	14,339
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	381	310
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	3,114	2,346
Payable to Meezan Bank Limited (MBL)		86	-
Payable on redemption and conversion of units		841,987	24,656
Accrued expenses and other liabilities	10	51,540	28,404
Payable against purchase of investments		-	41,724
Unclaimed dividend		22,750	4,824
<b>Total liabilities</b>		<b>949,942</b>	<b>116,603</b>
<b>Net assets</b>		<b>4,006,911</b>	<b>2,847,050</b>
<b>Contingencies and commitments</b>	12		
<b>Unitholders' fund (as per statement attached)</b>		<b>4,006,911</b>	<b>2,847,050</b>
		<b>(Number of units)</b>	
<b>Number of units in issue</b>	13	<b>246,069,711</b>	<b>204,777,286</b>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>16.28</b>	<b>13.90</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**



**Mazhar Sharif  
Director**

# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Income</b>			
Net realised gain on sale of investments		50,822	378,628
Dividend income		153,253	120,127
Profit on saving accounts with banks		9,237	16,160
Back end load		3	-
Other income		2,449	2,685
		<b>215,764</b>	<b>517,600</b>
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.1.1	395,282	198,627
<b>Total income</b>		<b>611,046</b>	<b>716,227</b>
<b>Expenses</b>			
Remuneration to AI Meezan Investment Management Limited - Management Company	7.1	65,601	49,414
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	21,902	16,878
Remuneration to Central Depository Company of Pakistan Limited - Trustee	8	4,280	3,479
Annual fee to Securities and Exchange Commission of Pakistan	9	3,114	2,346
Auditors' remuneration	14	674	822
Fees and subscription		79	291
Charity expense	10.1	2,420	2,247
Brokerage		3,643	3,875
Bank and settlement charges		1,364	1,247
Printing expenses		-	176
Provision for Workers' Welfare Fund (WWF)	11	11,464	13,307
<b>Total expenses</b>		<b>114,541</b>	<b>94,082</b>
<b>Net income from operating activities</b>		<b>496,505</b>	<b>622,145</b>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		65,232	29,973
<b>Net income for the year before taxation</b>		<b>561,737</b>	<b>652,118</b>
<b>Taxation</b>	20	-	-
<b>Net income for the year after taxation</b>		<b>561,737</b>	<b>652,118</b>
<b>Other comprehensive income for the year</b>			
<b>Items can be reclassified to income statements in subsequent periods</b>			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale' (net)	5.2.2	135,161	34,686
<b>Total comprehensive income for the year</b>		<b>696,898</b>	<b>686,804</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



Mazhar Sharif  
Director

# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Undistributed income brought forward		
- Realised	240,888	451,455
- Unrealised	198,627	230,105
	<b>439,515</b>	681,560
Less: Interim distribution on June 26, 2015 for the year ended June 30, 2015 - cash dividend @ 6.8% (Rs. 0.68 per unit)	<b>(142,033)</b>	-
Less: Final distribution on July 08, 2013 for the year ended June 30, 2013		
- bonus units @ 35% (Rs. 3.5 per unit)	-	(418,364)
- cash dividend @ 35% (Rs. 3.5 per unit)	-	(59)
Less: Interim distribution on May 30, 2014 for the year ended June 30, 2014		
- bonus units @ 24% (Rs. 2.4 per unit)	-	(476,445)
- cash dividend @ 24% (Rs. 2.4 per unit)	-	(10)
Net income for the year	<b>561,737</b>	652,118
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>31,106</b>	715
Undistributed income carried forward	<b>890,325</b>	439,515
Undistributed income carried forward		
- Realised	<b>495,043</b>	240,888
- Unrealised	<b>395,282</b>	198,627
	<b>890,325</b>	439,515

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**



**Mazhar Sharif  
Director**

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Net assets at beginning of the year	2,847,050	2,190,127
Issue of 177,436,638 units (June 30, 2014 : 80,333,689 units)	2,807,107	1,121,848
Redemption of 136,144,213 units (June 30, 2014 : 80,177,465 units)	(2,136,879)	(1,121,687)
	670,228	161
Element of (income) and capital (gains) included in prices of units issued less those in units redeemed (net)	(65,232)	(29,973)
Issue of 68,492,219 bonus units for the year ended June 30, 2014	-	894,809
Net realised gain on sale of investments	50,822	378,628
Unrealised appreciation in value of investments (net)	530,443	233,313
Other net income for the year	115,633	74,863
Total comprehensive income for the year	696,898	686,804
Cash distribution for the period ended June 30, 2015	(142,033)	-
Issue of 30,649,380 bonus units and cash distribution for the year ended June 30, 2013	-	(418,423)
Issue of 37,842,839 bonus units and cash distribution for the year ended June 30, 2014	-	(476,455)
Total distribution	(142,033)	(894,878)
Net income for the year less distribution	554,865	(208,074)
Net assets at end of the year	4,006,911	2,847,050
	(Rupees)	
Net assets value per unit at beginning of the year	13.90	16.09
Net assets value per unit at end of the year	16.28	13.90

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**



**Mazhar Sharif  
Director**



# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		561,737	652,118
<b>Adjustments for:</b>			
Unrealised gain on re-measurement of investments at 'fair value through profit or loss' (net)		(395,282)	(198,627)
Element of (income) and capital (gains) included in prices of units issued less those in units redeemed (net)		(65,232)	(29,973)
		<b>101,223</b>	<b>423,518</b>
<b>(Increase) / decrease in assets</b>			
Investments (net)		(223,770)	(527,565)
Receivable against sale of investments		46,950	(77,831)
Dividend receivable		(2,071)	(647)
Deposits, prepayments and other receivables		(364)	1,075
		<b>(179,255)</b>	<b>(604,968)</b>
<b>(Decrease) / increase in liabilities</b>			
Payable to AI Meezan Investment Management Limited - Management Company		15,745	8,125
Payable to Central Depository Company of Pakistan Limited - Trustee		71	53
Payable to Securities and Exchange Commission of Pakistan		768	604
Payable to Meezan Bank Limited		86	-
Payable against purchase of investments		(41,724)	19,793
Accrued expenses and other liabilities		23,136	14,008
		<b>(1,918)</b>	<b>42,583</b>
<b>Net cash used in operating activities</b>		<b>(79,950)</b>	<b>(138,867)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance of units		2,004,590	1,121,848
Payment against redemption of units		(1,319,548)	(1,097,726)
Dividend paid		(124,107)	(21)
<b>Net cash generated from financing activities</b>		<b>560,935</b>	<b>24,101</b>
Net increase / (decrease) in cash and cash equivalents during the year		480,985	(114,766)
Cash and cash equivalents at beginning of the year		84,389	199,155
Cash and cash equivalents at end of the year	4	<b>565,374</b>	<b>84,389</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



**Mazhar Sharif**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2015

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** AI Meezan Mutual Fund (the Fund) was constituted by virtue of a scheme of arrangement for conversion of AI Meezan Mutual Fund Limited (AMMFL) into an Open End Scheme under a Trust Deed executed between AI Meezan Investment Management Limited (AI Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 17, 2011 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 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 of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to provide the Unitholders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. The objective of the Fund is to provide the maximum total return to the unitholders from investment in "Shariah Compliant" equity investments for the given level of risk, while abiding by the regulations and any other prevailing rules and regulations. At least seventy percent of its net assets shall remain invested in listed equity securities during the year based on quarterly average investment calculated on daily basis. The remaining net assets shall be invested in cash and near cash instruments. Under the Trust Deed all conducts and acts of the Fund are based on Shariah. 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 listed on the Islamabad Stock Exchange. Units of the Fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The fund is categorized as an Equity Scheme.
- 1.4** The Management Company of the Fund has been given quality rating of AM2 + and the fund is ranked at 'MFR 3-star' for one year and 'MFR 3-star' for three years weighted average performance ranking by JCR-VIS Credit Rating Company Limited.
- 1.5** Title of the assets of the Fund is held in the name of CDC as a Trustee of the Fund.

### 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 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'. These 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);
- c) Recognition of provision for Workers' Welfare Fund (note 11 and 26); and
- d) Taxation (note 3.4.1 and 20)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- 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 amortisation 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. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Fund's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Agriculture: Bearer Plants [Amendments 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 company 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. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Fund's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The interpretation 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 other wise 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, 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 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) 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'.

**(c) 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 above.

**3.1.2 Regular way contracts**

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

**3.1.3 Recognition**

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

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

**3.1.4 Measurement**

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

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

Financial assets classified as 'loans and receivables' 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 and provisions**

The fair value of shares of listed companies is based on their price quoted on the Karachi Stock Exchange at the reporting date without any deduction for estimated future selling costs. The preference shares received as dividend in specie are carried at cost.

### **3.1.6 Impairment**

Impairment loss on investment other than 'available for sale' is recognised in the Income Statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the Income Statement.

In case of equity investment classified as 'available for sale', a significant or prolonged decline in the fair value of the equity 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 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.

## **3.3 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.

## **3.4 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in other comprehensive income.

### *Current*

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, which arises from assessments / developments during the year.

### *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.

- 3.4.1** The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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. Accordingly Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 4B of Income Tax Ordinance, 2001).

The Management Company distributed sufficient income of the Fund for the year ended June 30, 2015, as reduced by capital gains (whether realised or unrealised) to its unitholders. Accordingly, no provision for current and deferred tax has been recognised in these financial statements.

### **3.5 Revenue recognition**

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

### **3.6 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.

### **3.7 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.

### **3.8 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.

### **3.9 Unitholders' Fund**

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

### **3.10 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 prevalent on the date on which the distributors receive redemption application during business hours on that date. 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.

### **3.11 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 unitholders' 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.

### **3.12 Distribution**

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

#### 4. BALANCES WITH BANKS

	Note	2015 (Rupees in '000)	2014
On current accounts		11,774	4,394
On saving accounts	4.1	553,600	79,995
		<b>565,374</b>	<b>84,389</b>

4.1 The balances in saving accounts have an expected profit ranging from 3.79% to 7.30% (2014: 3.72% to 9.20%) per annum.

#### 5. INVESTMENTS

	Note	2015	2014
Investments at 'fair value through profit or loss'			
- Held for trading	5.1	2,476,199	1,658,134
Investment - 'available for sale'	5.2	1,070,842	1,134,694
		<b>3,547,041</b>	<b>2,792,828</b>

#### 5.1 Investments at 'fair value through profit or loss

	Note	2015	2014
Ordinary shares - held for trading	5.1.1	2,460,878	1,658,134
Preference shares - fair value through profit and loss upon initial recognition	5.1.2	15,321	-
		<b>2,476,199</b>	<b>1,658,134</b>

#### 5.1.1 Held for trading - Ordinary Shares of listed companies

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage in relation to Market value of total investment
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----

##### Sector / Companies

##### Commercial Banks

Meezan Bank Limited (an associate of the Fund)	1,820,712	-	-	1,820,293	419	18	17	(1)	-
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##### Cement

Attock Cement Pakistan Limited	1,121	175,000	-	-	176,121	37,202	33,569	(3,633)	0.95
DG Khan Cement Company Limited	332,805	212,500	-	541,000	4,305	385	615	230	0.02
Fauji Cement Company Limited	3,046,000	3,483,500	-	546,500	5,983,000	155,259	208,627	53,368	5.88
Kohat Cement Company Limited	-	341,000	-	-	341,000	47,933	68,149	20,216	1.92
Cherat Cement Company Limited	358,000	60,000	243,440	-	661,440	34,833	57,565	22,732	1.62
Lucky Cement Company Limited	41,890	147,500	-	181,000	8,390	4,039	4,359	320	0.12
Maple Leaf Cement Ltd	-	500,000	-	25,000	475,000	27,645	37,316	9,671	1.05
Pioneer Cement Limited	232,000	300,000	-	-	532,000	27,134	45,374	18,240	1.28
									<b>12.84</b>

##### Oil and Gas Exploration Companies

Pakistan Oilfields Limited	445,751	-	-	281,600	164,151	94,272	66,288	(27,984)	1.87
Pakistan Petroleum Limited	893,419	240,000	-	756,298	377,121	85,133	61,946	(23,187)	1.75
Oil and Gas Development Company Limited	409,700	266,600	-	676,300	-	-	-	-	-
Mari Petroleum Company Limited (note 12)	75,000	236,400	28,000	189,700	149,700	44,838	70,149	25,311	1.98
									<b>5.60</b>

##### Oil & Gas Marketing Companies

Attock Petroleum Limited	12,000	49,500	-	-	61,500	34,435	34,884	449	0.98
Pakistan State Oil Company Limited	447,120	241,000	-	205,000	483,120	185,288	186,383	1,095	5.25
Sui Northern Gas Pipeline Limited	600,000	400,000	-	150,000	850,000	21,624	22,644	1,020	0.64
Hascol Petroleum Limited (note 12)	-	205,000	22,550	-	227,550	20,539	26,057	5,518	0.73
									<b>7.60</b>

##### Automobile Assembler

Indus Motor Company Limited	72,264	15,000	-	-	87,264	55,797	108,993	53,196	3.07
Honda Atlas Cars Pakistan Limited	-	308,500	-	41,000	267,500	37,889	58,497	20,608	1.65
Millat Tractors Limited	-	16,500	-	-	16,500	10,023	11,316	1,293	0.32
Pak Suzuki Motor Company Limited	65,689	18,000	-	-	83,689	24,209	36,481	12,272	1.03
									<b>6.07</b>



Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage in relation to Market value of total investment
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Automobile Parts and Accessories</b>									
Agriaautos Industries Limited (note 5.1.1.1)	6,460	-	-	-	6,460	623	1,201	578	0.03
Thal Limited (note 5.1.1.1)	55,613	-	-	-	55,613	11,534	15,874	4,340	0.45
									<b>0.48</b>
<b>Technology and Communication</b>									
Pakistan Telecommunication Company Limited "A"	2,956,670	1,100,000	-	2,475,000	1,581,670	35,828	32,424	(3,404)	<b>0.91</b>
<b>Chemical</b>									
Sitara Chemical Industries Limited	500	-	-	-	500	148	150	2	-
ICI Pakistan Limited	1,122	60,000	-	11,100	50,022	22,801	21,453	(1,348)	0.60
									<b>0.60</b>
<b>Fertilizer</b>									
Fauji Fertilizer Bin Qasim Limited	381,185	-	-	381,185	-	-	-	-	-
Fauji Fertilizer Company Limited	307,401	449,000	-	674,000	82,401	9,958	12,312	2,354	0.35
Engro Fertilizers Limited	-	805,000	-	-	805,000	69,876	71,396	1,520	2.01
Engro Corporation Limited (note 5.1.1.2)	-	1,403,500	-	184,000	1,219,500	309,383	361,948	52,565	10.20
Fatima Fertilizer Company Limited	-	1,824,000	-	1,138,000	686,000	24,663	26,802	2,139	0.76
									<b>13.32</b>
<b>Paper and Board</b>									
Packages Limited	152,700	-	-	-	152,700	76,590	90,716	14,126	<b>2.56</b>
<b>Food &amp; Personal Care Products</b>									
Engro Foods Limited	432,500	853,000	-	653,500	632,000	85,412	95,710	10,298	<b>2.70</b>
<b>Power Generation and Distribution</b>									
The Hub Power Company Limited	1,933,500	206,000	-	400,000	1,739,500	104,158	162,765	58,607	4.59
Pakgen Power Limited	105,000	100,000	-	75,000	130,000	3,289	3,901	612	0.11
Kohinoor Energy Limited	144,000	-	-	-	144,000	5,964	7,272	1,308	0.21
Lalpir Power Limited	-	1,287,000	-	250,000	1,037,000	28,147	31,629	3,482	0.89
K-Electric Limited (note 5.1.1.1)	3,453,500	4,941,500	-	4,400,000	3,995,000	33,966	33,638	(328)	0.95
									<b>6.75</b>
<b>Cable and Electrical Goods</b>									
Pak Elektron	-	1,625,000	-	50,000	1,575,000	95,204	130,315	35,111	<b>3.67</b>
<b>Pharmaceuticals</b>									
Abbott Laboratories Limited	96,200	-	-	45,000	51,200	29,303	34,166	4,863	0.96
The Searle Company Limited	-	188,800	-	25,000	163,800	42,539	52,529	9,990	1.48
Ferozsons Laboratories Limited	5,500	30,650	-	11,000	25,150	10,636	16,084	5,448	0.45
									<b>2.89</b>
<b>Textile Composite</b>									
Nishat Mills Limited	1,041,200	25,000	-	189,400	876,800	97,945	100,156	2,211	<b>2.82</b>
<b>Refinery</b>									
Attock Refinery Limited	500	50,000	-	10,500	40,000	8,324	9,138	814	0.26
National Refinery Limited	68,100	-	-	66,300	1,800	388	418	30	0.01
									<b>0.27</b>
<b>Miscellaneous</b>									
Shifa International Hospitals	-	63,000	-	24,400	38,600	10,422	9,652	(770)	<b>0.27</b>
<b>Total</b>						<b>2,065,596</b>	<b>2,460,878</b>	<b>395,282</b>	
<b>Total cost of investments - 'held for trading'</b>							<b>1,906,466</b>		

5.1.1.1 All shares have a nominal value of Rs. 10 each except for the shares of Agriaautos Industries Limited and Thal Limited which have a nominal value of Rs. 5 each and K-electric having nominal value of Rs.3.5.

5.1.1.2 150,000 shares of Engro Corporation Limited, having market value of Rs 44.52 million (2014: 280,000 shares Oil and Gas Development Company Limited having market value of Rs. 52.25 million) as at June 30, 2015, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

## 5.1.2 Preference Shares - Unlisted

Name of Security	Note	2015	
		Number of Shares	Carrying value (Rupees in '000)
Mari Petroleum Company Limited - at carrying value	5.1.2.1	<b>1,532,119</b>	<b>15,321</b>

**5.1.2.1** This represents non-voting, non-cumulative, unlisted redeemable Preference Shares having a face value of Rs. 10 each.

In the current year Mari Petroleum Company Limited announced dividend in specie for distribution of undistributable balance standing in its accounts as at June 30, 2014 in the form of non-voting, non-cumulative, unlisted redeemable Preference Shares (debt instruments) having a face value of Rs. 10 each, in the ratio of Rs.87.70 for every ordinary share held by the minority shareholders. Profit rate on preference shares is one year kibor prevailing on the last working day of each financial year plus 3 percent per annum and are redeemable at par in cash solely at the option of the issuer between 1st and 10th anniversary of the issue. As explained in note 1.2, the objective of the Fund is to provide the maximum total return by investing in equity instruments. Efforts are being made for divestment of these securities.

## 5.2 Available for sale - Shares of listed companies

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain as at June 30, 2015	Percentage in relation to Market value of total investment
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----
<b>Sector / Companies</b>									
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	299,706	-	-	299,706	-	-	-	-	-
Bank Islami Pakistan Limited	500	-	375	-	875	6	9	3	-
<b>Cement</b>									
Lucky Cement Company Limited	680,127	-	-	60,000	620,127	217,162	322,230	105,068	9.08
D.G. Khan Cement Company Limited	1,177,500	-	-	1,066,500	111,000	9,157	15,848	6,691	0.45
									<b>9.53</b>
<b>Power Generation and Distribution</b>									
The Hub Power Company Limited	2,580,500	-	-	-	2,580,500	157,902	241,457	83,555	<b>6.81</b>
<b>Oil and gas Exploration Companies</b>									
Oil and Gas Development Company Limited	571,663	-	-	571,663	-	-	-	-	-
Pakistan Oilfields Limited	31,340	-	-	-	31,340	8,089	12,656	4,567	0.36
Pakistan Petroleum Limited	43,112	-	-	-	43,112	4,271	7,082	2,811	0.20
									<b>0.56</b>
<b>Oil and Gas Marketing Companies</b>									
Attock Petroleum Limited	240	-	-	-	240	83	136	53	-
Pakistan State Oil Company Limited	371,147	-	-	-	371,147	101,077	143,185	42,108	4.04
									<b>4.04</b>
<b>Automobile Assembler</b>									
Indus Motor Company Limited	16200	-	-	-	16,200	3,961	20,234	16,273	<b>0.57</b>
<b>Automobile Parts and Accessories</b>									
Agriautos Industries Limited (note 5.2.1)	158,000	-	-	-	158,000	10,539	29,380	18,841	<b>0.83</b>
<b>Chemical</b>									
ICI Pakistan Limited	91,557	-	-	-	91,557	34,618	39,266	4,648	<b>1.11</b>

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain as at June 30, 2015	Percentage in relation to Market value of total investment
	..... (Number of shares) .....				..... (Rupees in '000) .....			..... % .....	
<b>Fertilizer</b>									
Fauji Fertilizer Company Limited	5,457	-	-	-	5,457	428	815	387	0.02
Fauji Fertilizer Bin Qasim Limited	110,500	-	-	108,815	1,685	63	93	30	-
									<b>0.02</b>
<b>Paper and Board</b>									
Packages Limited	401,378	-	-	-	401,378	206,029	238,451	32,422	<b>6.72</b>
<b>Total</b>					<b>753,385</b>	<b>1,070,842</b>	<b>317,457</b>		
<b>Total cost of investments - 'available for sale'</b>						<b>753,385</b>			

**5.2.1** All shares have a nominal value of Rs.10 each except for the shares of Agriautos Industries Limited which has a nominal value of Rs. 5.

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

	2015 (Rupees in '000)	2014 (Rupees in '000)
Market value of investment	1,070,842	1,134,694
Less: Cost of investments	753,385	952,398
	<b>317,457</b>	182,296
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year	182,296	147,610
	<b>135,161</b>	34,686

**6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Security deposits		2,738	2,738
Profit receivable on saving accounts with banks		3,618	3,337
Prepaid rating fee		83	-
		<b>6,439</b>	6,075

**7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - Management Company**

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Management fee	7.1	5,981	4,563
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	20,702	8,472
Sales load		1,213	306
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	2,188	998
		<b>30,084</b>	14,339

- 7.1** 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 two percent per annum.
- 7.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 15 percent (till 30 June 2014: 16 percent) was charged on the remuneration of Management Company and sales load.
- 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 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 with effect from June 13, 2013, aggregating to Rs. 18.61 million (June 2014 : 7.20 million) had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2015 would have been higher by Rs. 0.08 per unit (June 30, 2014: Rs. 0.04 per unit).

**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 asset value of the Fund.

The remuneration of the Trustee for the year ended June 30, 2015 and 2014 has been calculated as per the following applicable tariff:

Net assets	Tariff
From Rs 1 million to Rs 1,000 million	Rs 0.7 million or 0.20% per annum of NAV, whichever is higher.
On amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% per annum of NAV, on amount exceeding Rs 1,000 million.

**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 is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations.

**10. ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2015 (Rupees in '000)	2014
Auditors' remuneration		585	615
Withholding tax payable		9,920	524
Charity payable	10.1	4,668	2,248
Zakat payable		349	9
Printing charges payable		500	588
Brokerage payable		690	1,056
Workers' Welfare Fund payable (WWF)	11	34,828	23,364
		<b>51,540</b>	<b>28,404</b>

**10.1** 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 4.668 million is outstanding in this regard.

## **11. 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, 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.

During the year 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 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 larger 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, SHC has not addressed the other amendments made in WWF Ordinance, 1971 about applicability of WWF to the CISs which is still pending before the SHC.

The decisions of SHC ( in against) and LHC ( in favour) are pending before Supreme Court therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2015 amounting to Rs. 34.83 million which includes Rs. 11.46 million pertaining to the current year and Rs. 23.37 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 0.14 (0.87%).

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 up to December 31, 2012 is Rs. 24.534 million.

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015. As this change has been made in the definition, the change would appear to apply prospectively. Hence, the matter regarding previous years would either need to be clarified by Regulatory bodies / Courts.

## **12. CONTINGENCIES AND COMMITMENTS**

The Finance Act, 2014, introduced amendments to Income Tax Ordinance, 2001. As a result of these amendments, companies are liable to withhold bonus shares at the rate of 5 percent. These shares will be released upon payments of tax by shareholders. The value of tax will be computed on the basis of day-end price on the first day of book closure.



In this regard, a constitution petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

In the current year, Mari Petroleum Company Limited and Hascol Petroleum Limited issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These haven't been deposited by the Company with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

There were no commitments outstanding as at June 30, 2015.

### 13. NUMBER OF UNITS IN ISSUE

13.1 The movement in number of units in issue during the year is as follows:

	2015 (Number of units)	2014
Total units in issue at beginning of the year	204,777,286	136,128,843
Add: units issued during the year	177,436,638	80,333,689
Add: bonus units issued during the year	-	68,492,219
Less: units redeemed during the year	(136,144,213)	(80,177,465)
Total units in issue at end of the year	246,069,711	204,777,286

13.2 The Fund may issue following classes of units:

#### ClassDescription

- A Units shall be issued to all Conversion Unitholders making fresh investment which may not be charged with front-end or back-end load.
- B Units that shall be charged with front-end load.
- C Units that shall be conversion units with back-end load.
- D Units that may be issued and charged with contingent load.

13.3 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; and
- Income units which shall be entitled to dividend in case of any distribution by the Fund.

### 14. AUDITORS' REMUNERATION

	2015 (Rupees in '000)	2014
Statutory Audit fee	465	465
Half yearly review	110	110
Other certifications	90	150
Out of pocket expenses	9	97
	<u>674</u>	<u>822</u>

## 15. 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 Executives of the Management Company, Meezan Islamic 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, Al Meezan Investment Management Limited - Employees' Gratuity Fund and Unitholders holding 10 percent or more of the Fund's net assets.

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 provision of NBFC Rules, NBFC Regulations, 2008 and the Trust Deed respectively.

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

	2015	2014
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	5,981	4,563
Sales load payable	1,213	306
Sindh Sales Tax and Federal Excise Duty on management fee payable	20,702	8,472
Sindh Sales Tax and Federal Excise Duty on sales load payable	2,188	998
Investments of units 27,607,288 (June 30, 2014: 34,052,779 units)	449,447	473,334
<b>Meezan Bank Limited - Shariah Advisor</b>		
Balances with bank	167,102	60,089
Sales load payable	86	-
Profit receivable on saving accounts	67	364
Investments in 419 shares (June 30, 2014 : 2,120,419 shares)	17	91,687
Investments of 10,336,190 units (June 30, 2014 : 9,921,033 units)	168,273	137,902
<b>Meezan Capital Preservation Fund - II</b>		
Investments of units : Nil (June 30, 2014: 2,870,504 units)	-	143,726
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	381	310
Deposits	238	238
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investments of 16,895,690 units (June 30, 2014: 16,895,690 units)	275,062	234,850
<b>Al Meezan Investment Management Limited - Employees' Gratuity Fund</b>		
Investments of units : nil (June 30, 2014: 517,741 units)	-	7,197
<b>Directors and executives of the Management Company</b>		
Investments of 18,278,967 units (June 30, 2014 : 7,657,744 units)	297,582	106,443
<b>Unit Holders holding 10% or more units of the Fund</b>		
	449,446	320,859

	year ended June 30, 2015	year ended June 30, 2014
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year	65,601	49,414
Sindh Sales Tax and Federal Excise Duty on management fee for the year	21,902	16,878
Units issued : 14,633,910 units (June 30, 2014: 6,476,891 units)	239,108	86,026
Redemptions : 21,079,401 units (June 30, 2014 : 13,756,271 units)	360,458	190,854
Bonus units issued : nil (June 30, 2014 : 12,975,195 units)	-	168,755
<b>Meezan Bank Limited</b>		
Profit on saving accounts with bank	1,538	1,359
Dividend income	4,459	2,185
Gain on sale of investments	13,707	3,846
2,120,000 shares sold during the year (June 30, 2014: 900,000 shares)	34,720	34,720
Units issued : 415,157 units (June 30, 2014 : nil)	6,746	-
Bonus units issued : nil (June 30, 2014 : 3,318,901 units)	-	43,357
<b>Meezan Capital Preservation Fund - II</b>		
Units issued: 12,650,739 units (June 30, 2014 : nil)	178,000	-
Redemptions : 15,521,243 units (June 30, 2014 : nil)	229,426	-
<b>Meezan Capital Preservation Fund - III</b>		
Units issued: 4,130,435 units (June 30, 2014 : nil)	60,000	-
Redemptions : 4,130,435 units (June 30, 2014 : nil)	58,404	-
<b>Meezan Financial Planning Fund of Funds</b>		
Units issued: 22,153,847 units (June 30, 2014: nil) - MCPP II	374,460	-
Redemptions: 22,153,847 units (June 30, 2014: nil) - MCPP II	358,228	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the year	4,280	3,479
CDS charges for the year	178	119
<b>Pak Kuwait Investment Company (Private) Limited</b>		
Bonus units issued : nil (June 30, 2014 : 2,970,671 units)	-	40,550
Redemptions : nil units (June 30, 2014 : 2,970,671 units)	-	40,550
<b>Al Meezan Investment Management Limited - Employees' Gratuity Fund</b>		
Units issued : 21,665 units (June 30, 2014 : nil units)	352	-
Redemptions : 539,406 units (June 30, 2014 : nil)	8,722	-
Bonus units issued : nil (June 30, 2014 : 173,201 units)	-	2,263
<b>Directors and executives of the Management Company</b>		
Units issued: 11,886,076 units (June 30, 2014 : 3,940,359 units)	192,149	49,751
Redemptions : 1,264,853 units (June 30, 2014 : 50,449 units)	21,475	185
Bonus units issued : nil (June 30, 2014 : 1,729,009 units)	-	22,981

## 16. FINANCIAL INSTRUMENTS BY CATEGORY

	2015				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	565,374	-	-	-	565,374
Investments	-	2,476,199	1,070,842	-	3,547,041
Receivable against sale of investments	30,896	-	-	-	30,896
Receivable on conversion of units	802,517	-	-	-	802,517
Dividend receivable	4,586	-	-	-	4,586
Deposits and other receivables	6,356	-	-	-	6,356
	<b>1,409,729</b>	<b>2,476,199</b>	<b>1,070,842</b>	<b>-</b>	<b>4,956,770</b>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - Management Company	-	-	-	30,084	30,084
Payable to CDC - Trustee	-	-	-	381	381
Payable to Meezan Bank Limited	-	-	-	86	86
Payable on redemption and conversion of units	-	-	-	841,987	841,987
Accrued expenses and other liabilities	-	-	-	6,443	6,443
Unclaimed dividend	-	-	-	22,750	22,750
	<b>-</b>	<b>-</b>	<b>-</b>	<b>901,731</b>	<b>901,731</b>
2014					
	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
(Rupees in '000)					
<b>On balance sheet - financial assets</b>					
Balances with banks	84,389	-	-	-	84,389
Investments	-	1,658,134	1,134,694	-	2,792,828
Receivable against sale of investments	77,846	-	-	-	77,846
Dividend receivable	2,515	-	-	-	2,515
Deposits and other receivables	6,075	-	-	-	6,075
	<b>170,825</b>	<b>1,658,134</b>	<b>1,134,694</b>	<b>-</b>	<b>2,963,653</b>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - Management Company	-	-	-	14,339	14,339
Payable to CDC - Trustee	-	-	-	310	310
Payable on redemption and conversion of units	-	-	-	24,656	24,656
Accrued expenses and other liabilities	-	-	-	4,507	4,507
Payable against purchase of investments	-	-	-	41,724	41,724
Unclaimed dividend	-	-	-	4,824	4,824
	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,360</b>	<b>90,360</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 and interest rate risk) credit risk and liquidity risk. Further, overall exposure of the Fund complies with the NBFC Regulations, 2008 and the directives issued by Securities and Exchange Commission of Pakistan (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, credit exposure arising as a result of profit accrual on bank deposits, dividends receivable on equity securities and receivable against sale of investments.

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 securities are executed through approved brokers and in case of equity, transactions settled through National Clearing Company of Pakistan Limited (NCCPL), thus the risk of default is considered to be minimal. For Debt instruments 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.

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, 2015 along with comparative is tabulated below:

Financial Assets	2015	2014
	(Rupees in '000)	
Balances with banks	565,374	84,389
Investments - preference shares	15,321	-
Receivable against sale of investments	30,896	77,846
Receivable on conversion of units	802,517	-
Dividend receivable	4,586	2,515
Deposits and other receivables	6,356	3,337
	<b>1,425,050</b>	<b>168,087</b>

Credit Rating wise analysis of balances with bank of the Fund are tabulated below:

	2015	2014
	(Percentage)	
AAA	0.55	-
AA+	12.16	30.69
AA	13.72	11.37
AA-	-	4.24
A	73.57	53.70
	<b>100.00</b>	<b>100.00</b>

None of the financial assets were considered to be past due or impaired as on June 30, 2015.



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

Due to the Fund's long standing business relationships with these counter parties and after giving due consideration to their strong financial standings. The Fund does not expect non performance by these counter parties on their obligations to the Fund.

## 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 offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholders' redemptions at any time. The Fund manages its 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. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

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 . However, no such borrowing has been obtained 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 number of units in issue. However, no such defer redemption request has been exercised by the Fund during the year.

In addition to Unitholders' fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2015 along with comparative is tabulated below:

	2015				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan					
- Management Company	30,084	-	-	-	30,084
Payable to CDC - Trustee	381	-	-	-	381
Payable to Meezan Bank Limited	86	-	-	-	86
Payable on redemption and conversion of units	841,987	-	-	-	841,987
Unclaimed dividend	22,750	-	-	-	22,750
Accrued expenses and other liabilities	6,443	-	-	-	6,443
	<b>901,731</b>	-	-	-	<b>901,731</b>

	2014				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
Payable to Al Meezan - Management Company	14,339	-	-	-	14,339
Payable to CDC - Trustee	310	-	-	-	310
Payable on redemption and conversion of units	24,656	-	-	-	24,656
Unclaimed dividend	4,824	-	-	-	4,824
Payable against purchase of investments	41,724	-	-	-	41,724
Accrued expenses and other liabilities	4,507	-	-	-	4,507
	<u>90,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,360</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 SECP. 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 over all market positions are monitored by the Board of Directors of the Management Company on a quarterly basis.

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 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 30 (KMI 30). The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / (decrease) by Rs. 35.32 million (2014: Rs. 27.93 million) if the prices of equity vary due to increase / (decrease) in KMI 30 Index 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, 2015 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, 2015 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### 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.

#### *Cash flow interest rate risk*

The Fund's interest risk arises from the balances in saving accounts and investment in preference shares.

During the year ended June 30, 2015, the net income would have increased / (decreased) by Rs 5.69 million (2014: Rs 0.800 million) had the interest rates on saving 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 asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unitholders' Fund.

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

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 unit holders and to maintain a strong base of assets under management.

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. The quoted market prices used for financial assets held by the Fund is current bid price.

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

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

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

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

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

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

The following table presents the assets that are measured at fair value as at June 30, 2015:

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Assets</b>				
Investments - 'at fair value through profit or loss'				
Financial assets held for trading				
- Equity securities	2,460,878	-	-	2,460,878
Investments - 'available for sale'				
Financial assets 'available for sale'				
- Equity securities	1,070,842	-	-	1,070,842
	<b>3,531,720</b>	<b>-</b>	<b>-</b>	<b>3,531,720</b>

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

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Assets</b>				
Investments - 'at fair value through profit or loss'				
Financial assets held for trading				
- Equity securities	1,658,134	-	-	1,658,134
Investments - 'available for sale'				
Financial assets 'available for sale'				
- Equity securities	1,134,694	-	-	1,134,694
	<u>2,792,828</u>	<u>-</u>	<u>-</u>	<u>2,792,828</u>

## 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, 2015 as reduced by capital gains (whether realised or unrealised) to its unitholders.

## 21. PERFORMANCE TABLE

	2015	2014	2013	2012
Net assets (Rs. '000) (ex-distribution)	<b>4,006,911</b>	2,847,050	2,190,127	1,680,705
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>16.28</b>	13.90	12.59	10.69
Offer price per unit as at June 30 (Rs.) (ex-distribution)	<b>16.71</b>	14.31	12.96	10.97
Highest offer price per unit (Rs.)	<b>17.82</b>	16.54	17.30	13.83
Lowest offer price per unit (Rs.)	<b>13.54</b>	12.85	11.37	10.22
Highest redemption price per unit (Rs.)	<b>17.36</b>	16.07	17.21	13.47
Lowest redemption price per unit (Rs.)	<b>13.16</b>	12.48	11.08	9.96
<b>Distribution (%)</b>				
- Annual	-	-	35	20
- Interim	<b>6.80</b>	24	-	-
Dates of distribution	<b>Jun 26, 2015</b>	May 30, 2014	Jul 8, 2013	Jul 9, 2012
Income distribution (Rupees in '000)	<b>142,033</b>	59	10	-
Growth distribution (Rupees in '000)	-	418,364	476,441	264,972
Total return (%)	<b>22</b>	30	51	20
	<b>One year</b>	Two year	Three year	Four year
Average annual return (%) as at June 30, 2015	<b>22</b>	26	32	29

### 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 17.

## 22. INVESTMENT COMMITTEE MEMBERS

22.1 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 five years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Nineteen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Eleven years
Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Eight years
Mr. Zain Malik	AVP (Fund Management Department)	CFA level II / BBA	Six years
Mr. Asif Mobin	VP Investments	MBA	Seventeen years
Mr. Fahad Sultan	Head of Risk Management	CA / B.Com	Eight years

22.2 The Fund manager of the Fund is Mr. Asif Mobin. Other Funds being managed by the Fund manager are KSE Meezan Index Fund and Meezan Financial Planning Fund of Funds.

## 23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein				
		August 28, 2014	October 29, 2014	February 20, 2015	April 15, 2015	May 15, 2015
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	Yes	Yes	Yes	No	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	No
Mr. Atif Azim	Director	Appointed w.e.f December 31, 2014		Yes	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	No	Yes	No
Mazhar Sharif	Director	No	Yes	Yes	No	Yes
Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Appointed w.e.f December 31, 2014		Yes	Yes	Yes

## 24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2015 %
Fortune Securities Limited	18.28
JS Global Capital Limited	14.07
Shajar Capital Pakistan (Private) Limited	9.92
Optimus Capital Management (Private) Limited	9.36
Arif Habib Limited	7.45
AKD Securities Ltd.	7.21
KASB Securities Limited	7.07
BMA Capital Management Limited	6.51
Foundation Securities (Private) Limited	4.02
Global Securities Pakistan Limited	3.22

<b>Broker's Name</b>	2014 %
Arif Habib Limited	12.01
Fortune Securities Limited	11.19
JS Global Capital Limited	11.02
Optimus Capital Management (Private) Limited	9.19
BMA Capital Management Limited	7.26
Shajar Capital Pakistan (Private) Limited	6.87
Aba Ali Habib Securities	5.53
Global Securities Pakistan Limited	4.51
KASB Securities Limited	4.41
Ample Securities (Private) Limited	3.96

## 25. PATTERN OF UNIT HOLDING

	2015		
	Number of investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	2,648	1,796,665	44%
Associated companies / directors	5	1,183,897	30%
Insurance companies	4	301,895	8%
Banks / DFIs	1	8,224	0%
Retirement funds	17	574,079	14%
Public limited companies	2	768	0%
Others	35	141,383	4%
<b>Total</b>	<b>2,712</b>	<b>4,006,911</b>	<b>100%</b>

	2014		
	Number of investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	2100	1,045,413	37%
Associated companies / directors	6	998,628	35%
Insurance companies	2	159,454	5%
Banks / DFIs	1	6,767	0%
Retirement funds	16	531,491	19%
Public limited companies	2	632	0%
Others	28	104,665	4%
<b>Total</b>	<b>2,155</b>	<b>2,847,050</b>	<b>100</b>

**26. SUBSEQUENT EVENT**

In accordance with Finance Act 2015, the Fund has discontinued provision for Workers Welfare Fund from July 1, 2015.

**27. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 08, 2015 by the Board of Directors of the Management Company.

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



**Mohammad Shoaib, CFA  
Chief Executive**



**Mazhar Sharif  
Director**

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

AS AT JUNE 30, 2015

UNITS HELD BY	UNITS HELD	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	27,607,288	11.22
Meezan Bank Limited	10,336,190	4.20
Pakistan Kuwait Investment Company (Private) Limited	16,895,690	6.87
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	16,438,996	6.68
<b>Directors</b>		
Mr. Arif ul Islam	1,426,881	0.58
<b>Executives</b>	18,278,967	7.43
<b>Banks and financial institutions</b>	505,073	0.21
<b>Individuals</b>	92,056,166	37.40
<b>Retirements funds</b>	35,254,953	14.33
<b>Private limited companies</b>	47,201	0.02
<b>Other corporate sector entities</b>	27,222,306	11.06
<b>Total</b>	<b>246,069,711</b>	<b>100.00</b>







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kse meezan index fund  
میزان





# KSE MEEZAN INDEX FUND

KSE Meezan Index Fund (KMIF) is a Shariah compliant index fund that strives to present investors with an opportunity to closely track the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the Index in relation to their weightages.



## 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  
Website: 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. Abdullah Ahmed Muhammad	Non-Executive	
Syed Amir Ali	Non-Executive	
Mr. Atif Azim	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Moin M. Fudda	Independent	
Mr. Mazhar Sharif	Non-Executive	
Mr. Mohammad Shoaib, CFA	Chief Executive	
Syed Amir Ali Zaidi	Non-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 SultanTrust Building No.2, Beaumont Road, Karachi - 75530.

### SHARIAH ADVISER

Meezan Bank Limited

### BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)  
Habib Metropolitan Bank Limited - Islamic Banking  
Meezan Bank Limited  
National Bank of Pakistan - 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  
Website: www.meezanbank.com

### DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2015

KSE Meezan Index Fund (KMIF) is an open end index tracker fund investing in Shariah compliant listed equity securities.

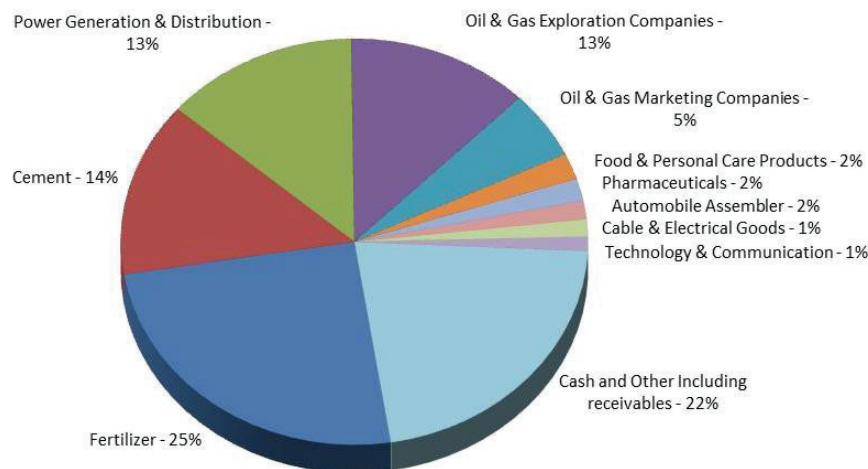
The objective of KMIF is to provide investors an opportunity to track the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the Index in proportion to their weightages.

### Strategy, Investment Policy and Asset Allocation

The performance of KMIF is linked directly to the performance of KSE-Meezan Index 30 (KMI 30). The Fund Manager, AI Meezan Investment Management Limited, manages the fund with an aim to closely track the returns of the index. The Fund Manager strives to completely match the weightages of the constituent stocks of the index. Hence, this is a passively managed fund.

The Fund was launched on 23rd May 2012, and completed third full year of operations during the year. As on June 30, 2015, the asset allocation of the fund is as given below:

**Sector Allocation as on 30th June 2015**



### Performance Review

During the fiscal year 2015, KSE Meezan Index Fund (KMIF) provided a return of 17.06% to its investors while KSE Meezan Index (KMI 30) returned 20.10% to close at 57,271. On a gross basis, the fund's return was 19.37%, thus tracking 96.37% of the benchmark return with tracking error remaining within the stipulated limits.

KMIF posted a total income of Rs. 218 million in the fiscal year 2015 as compared to Rs. 253 million last year. Total income comprised of realized and unrealized gains on investments of Rs. 28 million and Rs. 111 million respectively. Dividend income contributed Rs. 78 million, while profit on savings account with banks amounted to Rs. 0.69 million. After accounting for expenses of Rs. 29 million and an element of loss and capital losses included in prices of units issued and less those in units redeemed of Rs. 20 million, the Fund posted a net income of Rs. 169 million. The net assets of the Fund as at June 30, 2015 were Rs. 1,159 million as compared to Rs. 1,176 million at the end of last year. The net asset value per unit as at June 30, 2015 was Rs. 73.55 (cum dividend) as compared to Rs.62.83 per unit as on June 30, 2014.

	<b>KMIF</b>	<b>KMI-30</b>
Net Asset Value (NAV) as on June 30, 2014	62.83	47,687
Net Asset Value (NAV) as on June 30, 2015	73.55	57,271
Return During the Period	<b>17.06%</b>	<b>20.10%</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, 2015 an amount of Rs. 1.70 million was accrued as charity payable.

### Distributions

The Board of Directors of Al Meezan Investments in its meeting held on July 3, 2015 has approved a final cash dividend of 3.70% (Rs. 1.85 per unit) for the year ended June 30, 2015. Total distribution made by the Fund was Rs. 29.16 million.

### Breakdown of unit holdings by size:

(As on June 30, 2015)

<b>Range (Units)</b>	<b>Number of investors</b>
1 - 9,999	306
10,000 - 49,999	58
50,000 - 99,999	7
100,000 - 499,999	9
500,000 and above	4
<b>Total</b>	<b>384</b>





**Meezan Bank**  
The Premier Islamic Bank

**Report of the Shari'ah Advisor –KSE Meezan Index Fund**

July 31, 2015/Shawwal 14, 1436

In the capacity of *Shari'ah Advisor*, we have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non-Shari'ah compliant activities to Total assets (iv) Shari'ah Non Compliant Income to Gross Revenue (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *Shari'ah* compliance 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 KMIF in light of *Shari'ah* requirements. Following is the list of the top investments of KMIF as on June 30, 2015 and their evaluation according to the screening criteria established by us. (December 31, 2014 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)
Fauji Fertilizer Co Ltd	Fertilizer	18.75	34.19	2.85	48.00	(0.93)	117.11
Hub Power Co Ltd	Power Generation and Distribution	20.94	0.04	0.06	30.00	5.42	78.36
Pakistan Petroleum Ltd	Oil and Gas Exploration Companies	0.11	29.00	4.90	43.00	39.99	176.52
Engro Corporation Ltd	Fertilizer	31.09	13.35	1.45	71.00	(-165.63)	221.51
Lucky Cement	Cement	13.24	0.00	0.85	82.00	(55.52)	500.28

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)	
Pakistan State Oil Ltd	Oil and Gas Marketing Companies	34.69	13.01	0.87	21.30	18.90	357.91
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0.00	5.39	1.99	70.32	30.419	379.36
Dawood Hercules	Fertilizer	7.52	0.44	0.19	98.00	(16.18)	84.51
Kot Addu Power Co Ltd***	Power Generation and Distribution	24.44	0.00	5.37	20.96	73.18	78.94
Fauji Cement Co. Ltd	Cement	25.94	0.00	0.70	89.00	(7.93)	25.84

\* 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 not meeting the minimum criteria of 'Illiquid Assets to Total Assets Ratio'.

- ii. On the basis of information provided by the management, all operations of KMIF for the year ended June 30, 2015 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 KMIF 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 1.70 million was created and an amount of Rupees 2.76 million was available for disbursement as of June 30, 2015.

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



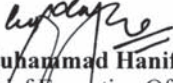
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**KSE MEEZAN INDEX FUND**

**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 KSE Meezan Index Fund (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, 2015 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 23, 2015



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Islamabad Stock Exchange 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. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Atif Azim Mr. Moin M. Fudda
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Abdullah Ahmed Muhammad Syed Amir Ali Mr. Tasnimul Haq Farooqui 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. During the year, no casual vacancy occurred on the Board of the Management Company.
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, 2015.
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 unit holding.
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, two 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

Dated: September 8, 2015

Karachi.





**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 KSE Meezan Index Fund (“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 2015 to comply with the requirements contained in the Listing Regulations of the Islamabad Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code 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 of Directors’ 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 Audit Committee, and upon the recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 compliance of this requirement to the extent of approval of the 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 as applicable to the Fund for the year ended 30 June 2015.

**Date: 8 September 2015**

**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.



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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](http://www.kpmg.com.pk)

## Independent Auditors' Report to the Unitholders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **KSE Meezan Index Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015, and the related income statement and statement of comprehensive income, 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 2015, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

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.

*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: 8 September 2015**

**Karachi**

*KPMG Taseer Hadi & Co.*

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


# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Assets</b>			
Balances with banks	4	11,061	248,684
Investments	5	1,167,189	1,175,875
Receivable against sale of investments - (net)		63,294	-
Receivable on conversion of units		229,679	-
Dividend receivable		4,849	1,078
Deposits and other receivable	6	2,626	2,655
Preliminary expenses and floatation costs	7	764	1,167
<b>Total assets</b>		<b>1,479,462</b>	<b>1,429,459</b>
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	8	5,413	2,738
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	183	150
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	1,192	925
Payable to Meezan Bank Limited (MBL)		23	14
Payable against purchase of investments - (net)		-	238,282
Payable on redemption and conversion of units		295,827	164
Accrued expenses and other liabilities	11	17,501	11,159
<b>Total liabilities</b>		<b>320,139</b>	<b>253,432</b>
<b>Net assets</b>		<b>1,159,323</b>	<b>1,176,027</b>
<b>Contingencies and commitments</b>	15		
<b>Unitholders' fund (as per statement attached)</b>		<b>1,159,323</b>	<b>1,176,027</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>	12	<b>15,761,944</b>	<b>18,716,122</b>
<b>(Rupees)</b>			
<b>Net assets value per unit</b>		<b>73.55</b>	<b>62.83</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

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

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

  
**Mazhar Sharif**  
**Director**



# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Income</b>			
Net realised gain on sale of investments		27,701	71,168
Dividend income		78,129	58,154
Profit on saving accounts with banks		687	573
Other income		1,183	1,372
		<b>107,700</b>	131,267
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	110,537	122,114
<b>Total income</b>		<b>218,237</b>	253,381
<b>Expenses</b>			
Remuneration to AI Meezan Investment Management Limited (AI Meezan) - Management Company	8.1	12,550	9,733
Sindh Sales Tax and Federal Excise Duty on Management Fee	8.2 & 8.3	4,192	3,320
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	2,255	1,933
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	1,192	925
Auditors' remuneration	13	310	395
Brokerage		1,993	1,449
Charity expense		1,702	1,061
Bank and settlement charges		770	628
Amortisation of preliminary expenses and floatation costs	7	403	403
Fees and subscription		125	125
Provision for Workers' Welfare Fund (WWF)	16	3,447	4,525
Printing expenses		23	120
<b>Total expenses</b>		<b>28,962</b>	24,617
<b>Net income from operating activities</b>		<b>189,275</b>	228,764
Element of loss and capital losses included in prices of units sold less those in units redeemed (net)		(20,368)	(7,017)
<b>Net income for the year before taxation</b>		<b>168,907</b>	221,747
<b>Taxation</b>	21	-	-
<b>Net income for the year after taxation</b>		<b>168,907</b>	221,747
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>168,907</b>	221,747

The annexed notes 1 to 28 form an integral part of these financial statements.

For AI Meezan Investment Management Limited  
(Management Company)



Mohammad Shoaib, CFA  
Chief Executive



Mazhar Sharif  
Director



## DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Undistributed income brought forward		
- Realised	77,379	184,682
- Unrealised	122,114	107,332
	<b>199,493</b>	292,014
Final distribution for the year ended June 30, 2014		
- bonus units: nil ( June 30, 2013: @ 31% i.e. Rs. 15.50 per unit)	-	(191,240)
Interim distribution for the period ended June 30, 2015		
- bonus units: nil (June 30, 2014: @ 19.60% i.e. Rs. 9.80 per unit)	-	(123,028)
	-	(314,268)
Net income for the year	<b>168,907</b>	221,747
Undistributed income carried forward	<b>368,400</b>	199,493
Undistributed income carried forward		
- Realised	257,863	77,379
- Unrealised	110,537	122,114
	<b>368,400</b>	199,493

The annexed notes 1 to 28 form an integral part of these financial statements.

For Al Meezan Investment Management Limited  
(Management Company)



Mohammad Shoaib, CFA  
Chief Executive



Mazhar Sharif  
Director

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Net assets at beginning of the year	1,176,027	901,404
Issue of 7,119,936 units (June 30, 2014: 8,530,609 units)	488,536	547,073
Redemption of 10,074,114 units (June 30, 2014: 7,468,573 units)	(694,515)	(501,214)
	(205,979)	45,859
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)	20,368	7,017
Bonus units for the year ended:		
June 30, 2014: nil (June 30, 2013: 3,322,448 bonus units)	-	191,240
Bonus units for the period ended:		
June 30, 2015: nil (June 30, 2014: 1,993,977 bonus units)	-	123,028
Net realised gain on sale of investments	27,701	71,168
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	110,537	122,114
Other net income for the year	30,669	28,465
Total Comprehensive income for the year	168,907	221,747
Final distribution for the year ended June 30, 2014 - bonus units: nil (June 30, 2013: 3,322,448 bonus units)	-	(191,240)
Interim distribution for the period ended June 30, 2015 - bonus units: nil (June 30, 2014: 1,993,977 bonus units)	-	(123,028)
Total distribution	-	(314,268)
Net income for the year less distribution	168,907	(92,521)
Net assets at end of the year	<b>1,159,323</b>	<b>1,176,027</b>
	(Rupees)	
Net assets value per unit at beginning of the year	<b>62.83</b>	73.06
Net assets value per unit at end of the year	<b>73.55</b>	62.83

The annexed notes 1 to 28 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA  
Chief Executive**



**Mazhar Sharif  
Director**

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		168,907	221,747
<b>Adjustments for</b>			
Amortisation of preliminary expenses and floatation costs		403	403
Unrealised appreciation on re-measurement of investments at fair value through profit or loss (net)	5.1	(110,537)	(122,114)
Element of loss and capital losses included in prices of units sold less those in units redeemed (net)		20,368	7,017
		<b>79,141</b>	107,053
<b>Decrease / (increase) in assets</b>			
Investments (net)		119,223	(156,863)
Receivable against sale of investments (net)		(63,294)	-
Dividend receivable		(3,771)	(257)
Deposits and other receivable		29	775
		<b>52,187</b>	(156,345)
<b>Increase / (decrease) in liabilities</b>			
Payable to AI Meezan Investment Management Limited - Management Company		2,675	704
Payable to Central Depository Company of Pakistan Limited - Trustee		33	2
Payable to Securities and Exchange Commission of Pakistan		267	540
Payable to Meezan Bank Limited		9	14
Payable against purchase of investments (net)		(238,282)	233,794
Accrued expenses and other liabilities		6,342	4,863
		<b>(228,956)</b>	239,917
<b>Net cash (used in) / generated from operating activities</b>		<b>(97,628)</b>	190,625
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance of units		258,857	547,073
Payment against redemption of units		(398,852)	(504,254)
<b>Net cash generated from financing activities</b>		<b>(139,995)</b>	42,819
Net (decrease) / increase in cash and cash equivalents during the year		<b>(237,623)</b>	233,444
Cash and cash equivalents at beginning of the year		248,684	15,240
Cash and cash equivalents at end of the year	4	<b>11,061</b>	248,684

The annexed notes 1 to 28 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA**  
Chief Executive



**Mazhar Sharif**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2015

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** KSE Meezan Index Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on March 13, 2012 and was approved by Securities and Exchange Commission of Pakistan (SECP) 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 of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund is a Shariah Compliant Index Fund that aims to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. For this purpose the fund shall invest at least eighty five percent of its net assets in listed equity securities. The remaining net assets of the fund shall be invested in cash and cash equivalents not exceeding ninety days maturity. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. 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 fund listed on 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. The Fund is categorized as an Equity Scheme.
- 1.4** The Management Company of the Fund has been given quality rating of AM2+ by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

### 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 earlier referred 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 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 requirement of the NBFC Rules, the NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules, the NBFC Regulations, 2008 and the said directives shall prevail.

## 2.2 Basis of measurement

These financial statements have been prepared on historical cost basis except for investments classified as 'at fair value through profit or loss' 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 the 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) Fair value of financial instruments (note 3.1.5);
- c) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7);
- d) Recognition of provision for Workers' Welfare Fund (note 16 and 27.2); and
- e) Taxation (note 3.8, 21 and 27.1).

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- 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. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Fund's financial statements.



- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Agriculture: Bearer Plants [Amendments 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 company 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. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Fund's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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 period presented, unless otherwise stated.

#### 3.1 Financial instruments

##### 3.1.1 Classification

The Fund classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets, 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) 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'.

#### **3.1.2 Regular way contract**

All purchase and sale of securities that require delivery within the timeframe 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' 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.

Financial assets classified as 'loans and receivables' 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 shares of listed companies is based on their prices quoted on the Karachi Stock Exchange at the reporting date without any deduction for estimated future selling costs. The preference shares received as dividend in specie are carried at cost.

#### **3.1.6 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.

### **3.1.7 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' funds**

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 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 prevalent on the date on which the distributors receive redemption application during business hours on that date. 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**

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 appreciation / (diminution) 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.

### **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. These costs are being amortised over a period of five years commencing from May 18, 2012 in accordance with the requirements of the trust deed of the Fund.

### 3.7 Net assets value per unit

The net assets value (NAV) per unit as 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

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in other comprehensive income.

#### *Current*

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, which arises from assessments / developments during the year.

#### *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 utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates.

**3.8.1** The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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. Accordingly Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 4B of Income Tax Ordinance, 2001).

Subsequent to the year end, the Management Company distributed sufficient income of the Fund for the year ended June 30, 2015, as reduced by capital gains (whether realised or unrealised) to its unitholders. Accordingly, no provision for current and deferred tax has been recognised in these financial statements (refer note 27.1).

### 3.9 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- (ii) Dividend income is recognised when the Fund's right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (iii) Profit on bank deposits 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 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 Distribution

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

## 4. BALANCES WITH BANKS

	Note	2015 (Rupees in '000)	2014
On saving accounts	4.1	8,390	247,716
On current accounts		2,671	968
		<u>11,061</u>	<u>248,684</u>

4.1 The balances in saving accounts have an expected profit ranging from 4.00% to 5.00% per annum (2014: 3.72% to 9.20% per annum).

## 5. INVESTMENTS

	Note	2015 (Rupees in '000)	2014
<b>Investments at 'fair value through profit or loss'</b>			
Ordinary shares - Held for trading	5.1	1,163,796	1,175,875
Preference shares - Fair value through profit and loss upon initial recognition	5.2	3,393	-
		<u>1,167,189</u>	<u>1,175,875</u>

## 5.1 Held for trading - shares of listed companies

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of total market value of investments
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Sectors / Companies</b>									
<b>Automobile Assembler</b>									
Honda Atlas Cars (Pakistan) Limited	-	42,300	-	2,900	39,400	9,113	8,616	(497)	0.74
Millat Tractors Limited	29,806	11,650	-	41,456	-	-	-	-	0.00
Pak Suzuki Motor Company Limited	-	31,800	-	1,700	30,100	13,216	13,121	(95)	1.12
									<b>1.86</b>
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	-	264,000	-	16,000	248,000	18,102	20,520	2,418	<b>1.76</b>
<b>Cement</b>									
Cherat Cement Company Limited	127,040	87,000	91,487	146,000	159,527	9,809	13,884	4,075	1.19
D.G. Khan Cement Company Limited	405,653	142,900	-	548,553	-	-	-	-	0.00
Fauji Cement Company Limited	1,231,694	381,500	-	600,500	1,012,694	20,827	35,313	14,486	3.03
Kohat Cement Company Limited	77,940	26,900	-	40,600	64,240	8,879	12,838	3,959	1.10
Lafarge Pakistan Cement Limited	-	1,135,000	-	632,806	502,194	8,427	9,773	1,346	0.84
Lucky Cement Limited	212,690	76,000	-	109,700	178,990	75,690	93,007	17,317	7.97
Maple Leaf Cement Factory Limited	310,700	221,500	-	203,000	329,200	12,227	25,862	13,635	2.22
Pioneer Cement Limited	114,500	134,000	-	75,000	173,500	11,420	14,798	3,378	1.27
									<b>17.62</b>
<b>Chemical</b>									
ICI Pakistan Limited	23,300	3,400	-	26,700	-	-	-	-	<b>0.00</b>
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited	-	496,800	-	30,600	466,200	51,418	54,438	3,020	4.66
Engro Corporation Limited	-	386,100	-	23,700	362,400	107,165	107,560	395	9.22
Engro Fertilizers Limited	-	294,000	-	17,500	276,500	24,252	24,523	271	2.10
Fatima Fertilizer Company Limited	-	618,500	-	38,500	580,000	22,567	22,661	94	1.94
Fauji Fertilizer Bin Qasim Limited	549,920	169,500	-	266,500	452,920	18,446	25,056	6,610	2.15
Fauji Fertilizer Company Limited	1,177,401	309,700	-	587,600	899,501	102,791	134,403	31,612	11.52
									<b>31.59</b>
<b>Food &amp; Personal Care Products</b>									
Engro Foods Limited	193,181	195,900	-	229,981	159,100	22,359	24,094	1,735	2.06
National Foods Limited (note 5.1.1)	-	85,050	-	85,050	-	-	-	-	0.00
Treet Corporation Limited	-	23,600	28,950	23,600	28,950	1,448	2,089	641	0.18
									<b>2.24</b>
<b>Oil &amp; Gas Exploration Companies</b>									
Mari Petroleum Company Limited (note 15)	30,895	10,400	6,599	17,400	30,494	7,873	14,289	6,416	1.22
Oil and Gas Development Company	553,694	79,600	-	633,294	-	-	-	-	0.00
Pakistan Oilfields Limited	181,964	57,700	-	90,000	149,664	81,223	60,437	(20,786)	5.18
Pakistan Petroleum Limited (note 5.1.2)	596,678	269,800	-	200,700	665,778	140,524	109,361	(31,163)	9.37
									<b>15.77</b>
<b>Oil &amp; Gas Marketing Companies</b>									
Attock Petroleum Limited	27,889	8,800	-	36,689	-	-	-	-	0.00
Hascol Petroleum Limited	-	47,100	-	3,300	43,800	4,963	5,016	53	0.43
Pakistan State Oil Company Limited	211,988	81,400	-	118,300	175,088	67,336	67,547	211	5.79
Shell Pakistan Limited	36,022	18,100	-	24,400	29,722	7,997	7,518	(479)	0.64
Sui Northern Gas Pipeline Limited	266,837	39,500	-	306,337	-	-	-	-	0.00
									<b>6.86</b>
<b>Paper &amp; Board</b>									
Packages Limited	49,700	24,300	-	74,000	-	-	-	-	<b>0.00</b>
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pakistan) Limited	-	42,700	-	42,700	-	-	-	-	0.00
GlaxoSmithKline Pakistan Limited	84,432	40,000	-	54,200	70,232	12,695	13,733	1,038	1.18
The Searle Company Limited	-	102,900	-	49,400	53,500	13,848	17,156	3,308	1.47
									<b>2.65</b>
<b>Power Generation &amp; Distribution</b>									
K-Electric Limited (note 5.1.1)	4,646,653	1,819,000	-	2,646,500	3,819,153	31,881	32,157	276	2.76
Kot Addu Power Company Limited	763,753	308,000	-	443,000	628,753	40,073	54,098	14,025	4.63
The Hub Power Company Limited	1,460,462	591,500	-	850,500	1,201,462	76,610	112,421	35,811	9.63
									<b>17.02</b>
<b>Refinery</b>									
Attock Refinery Limited	50,185	18,900	-	21,800	47,285	9,762	10,802	1,040	0.93
National Refinery Limited	42,951	18,300	-	61,251	-	-	-	-	0.00
									<b>0.93</b>
<b>Technology &amp; Communication</b>									
Netsol Technologies Limited	52,189	7,500	-	59,689	-	-	-	-	0.00
Pakistan Telecommunication Company Limited "A"	989,323	338,500	-	513,000	814,823	20,318	16,705	(3,613)	1.43
									<b>1.43</b>
<b>Textile Composite</b>									
Nishat Mills Limited	295,850	100,400	-	396,250	-	-	-	-	<b>0.00</b>
<b>Total</b>						<b>1,053,259</b>	<b>1,163,796</b>	<b>110,537</b>	
<b>Total cost of investments - 'held for trading'</b>						<b>970,335</b>			

**5.1.1** All shares have a nominal value of Rs.10 each except for the shares of K-Electric Limited and National Foods Limited which have nominal value of Rs. 3.50 and Rs. 5 each respectively.

**5.1.2** 417,000 shares of Pakistan Petroleum Limited (2014: 140,100 shares of Oil and Gas Development Company Limited), having market value of Rs 68.496 million as at June 30, 2015 (2014: Rs. 36.605 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

**5.2 Preference Shares - Unlisted**

Name of Security	Note	2015	
		Number of Shares	Carrying value (Rupees in '000)
Mari Petroleum Company Limited - at cost	5.2.1	<b>339,346</b>	<b>3,393</b>

**5.2.1** During the year Mari Petroleum Company Limited announced dividend in specie for distribution of undistributable balance standing in its accounts as at June 30, 2014 in the form of non-voting, non-cumulative, unlisted redeemable Preference Shares (Debt Instruments) having a face value of Rs. 10 each, in the ratio of Rs.87.70 for every ordinary share held by the minority shareholders. Profit rate on preference shares is one year kibar prevailing on the last working day of each financial year plus 3 percent per annum and are redeemable at par in cash solely at the option of the issuer between 1st and 10th anniversary of the issue. As explained in note 1.2, the objective of the Fund is to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. Efforts are being made for divestments of these instruments.

**6. DEPOSITS AND OTHER RECEIVABLE**

	Note	2015 (Rupees in '000)	2014
Profit receivable on saving accounts with banks		<b>23</b>	52
Security deposits		<b>2,603</b>	2,603
		<b>2,626</b>	2,655

**7. PRELIMINARY EXPENSES AND FLOATATION COSTS**

	Note	2015	2014
Preliminary expenses and floatation costs	7.1	<b>1,167</b>	1,570
Less: Amortisation during the year		<b>403</b>	403
		<b>764</b>	1,167

**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 amortised over a period of five years in accordance with the trust deed of the Fund.

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

	Note	2015	2014
Management fee	8.1	<b>1,012</b>	754
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	<b>3,959</b>	1,618
Sales load payable		<b>109</b>	135
Sindh Sales Tax and Federal Excise Duty on sales load	8.2 & 8.3	<b>333</b>	231
		<b>5,413</b>	2,738

- 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 1 percent per annum.
- 8.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from July 1, 2011. During the year SST at the rate of 15 percent (till 30 June 2014: 16 percent) was charged on the remuneration of Management Company and sales load.
- 8.3** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent 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 High Court of 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. 3.498 million (June 30, 2014: Rs. 1.397 million). Had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2015 would have been higher by Rs. 0.22 per unit (2014: Rs. 0.07 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 of the Fund.

The remuneration of the trustee for the year ended June 30, 2015 has been calculated as per the following applicable tariff:

Net assets	Tariff
From Rs 1 million to Rs 1,000 million	Rs. 0.7 million or 0.20% p.a. of net assets, which ever is higher.
On amount exceeding Rs 1,000 million	Rs. 2.0 million plus 0.10% p.a. of net assets, on amount exceeding Rs.1,000 million.

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

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

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2015 (Rupees in '000)	2014
Workers' Welfare Fund (WWF) payable	16	12,897	9,450
Charity payable	11.1	2,764	1,061
Brokerage payable		1,296	273
Auditors' remuneration		225	225
Printing Expenses Payable		105	105
Rating fee payable		100	-
Withholding tax payable		94	43
Zakat Payable		20	2
		<b>17,501</b>	<b>11,159</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 2.764 million is outstanding in this regard.

**12. NUMBER OF UNITS IN ISSUE**

**2015**                      **2014**  
**(Number of units)**

**12.1** The movement in number of units in issue during the year is as follows:

Total units in issue at beginning of the year	<b>18,716,122</b>	12,337,661
Units issued during the year	<b>7,119,936</b>	8,530,609
Bonus units issued during the year	-	5,316,425
Units redeemed during the year	<b>(10,074,114)</b>	(7,468,573)
Total units in issue at end of the year	<b>15,761,944</b>	18,716,122

**12.2** 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 front-end load.
C	Units that shall be charged with back-end load.
D	Units that shall be charged with contingent load.

**12.3** 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.
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

**13. AUDITORS' REMUNERATION**

**2015**                      **2014**  
**(Rupees in '000)**

Statutory Audit fee	<b>125</b>	125
Half yearly review	<b>80</b>	80
Other certifications and services	<b>100</b>	100
Out of pocket expenses	<b>5</b>	90
	<b>310</b>	395

**14. 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 Executives of the Management Company, Meezan Islamic Fund, Al Meezan Mutual 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, Al



Meezan Investment Management Limited - Employees Gratuity Fund and Unitholders holding 10 percent or more of the Fund's net assets.

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 provisions of NBFC Rules, NBFC Regulations, 2008 and the Trust Deed.

Details of transactions with connected persons and balances with them for the year ended June 30, 2015 are as follows:

	2015 (Rupees in '000)	2014
<b>AI Meezan Investment Management Limited</b>		
<b>- Management Company</b>		
Remuneration payable	1,012	754
Sindh Sales Tax and Federal Excise Duty on management fee payable	3,959	1,618
Sales load payable	109	135
Sindh sales tax and Federal Excise Duty on sales load payable	333	231
Investments as at June 30, 2015: 1,989,357 units (June 30, 2014: 5,120,366 units)	146,317	321,713
<b>Meezan Bank Limited</b>		
Sales load payable	23	14
Bank balance	3,170	243,284
Investments as at June 30, 2015: 2,113,224 units (June 30, 2014: 2,113,224 units)	155,428	132,774
<b>Central Depository Company of Pakistan Limited</b>		
<b>- Trustee</b>		
Trustee fee payable	183	150
Deposits	103	103
<b>Meezan Capital Preservation Fund - III</b>		
Investments as at June 30, 2015: 4,638,473 units (June 30, 2014: nil units)	341,160	-
<b>Meezan Capital Preservation Fund - II</b>		
Investments as at June 30, 2015: 1,734,306 units (June 30, 2014: 3,826,158 units)	127,558	240,398
<b>Directors and executives of the Management Company</b>		
Investments as at June 30, 2015: 411,792 units (June 30, 2014: 1,283,972 units)	30,287	80,672

	For the year ended June 30,	
	2015	2014
	(Rupees in '000)	
<b>AI Meezan Investment Management Company Limited</b>		
<b>- Management Company</b>		
Remuneration for the year	12,550	9,733
Sindh Sales Tax and Federal Excise Duty on management fee for the year	4,192	3,320
Units issued: nil units (2014: 420,990 units)	-	27,300
Bonus units issued: nil units (2014: 1,568,367 units)	-	93,181
Redemption: 3,131,009 units (2014: 86,987 units)	230,286	5,222
<b>Meezan Bank Limited</b>		
Profit on saving account	104	107
Bonus units issued: nil units (2014: 676,525 units)	-	40,140
<b>Central Depository Company of Pakistan Limited</b>		
<b>- Trustee</b>		
Remuneration Fee	2,255	1,933
CDS charges	75	60
<b>Meezan Capital Preservation Fund - III</b>		
Units issued: 4,638,473 units (June 30, 2014: nil units)	328,177	-
Transaction cost received	823	-
<b>Meezan Capital Preservation Fund - II</b>		
Units issued: 215,039 units (June 30, 2014: 3,826,158 units)	13,540	240,397
Transaction cost received	34	603
Redemption: 2,306,891 units (2014: nil units)	155,000	-
<b>Directors and executives of the Management Company</b>		
Units issued: 1,530 units (2014: 5,190 units)	104	331
Bonus units issued: nil units (2014: 421,135 units)	-	24,972
Redemption: 873,710 units (2014: 54,705 units)	63,710	3,276

## 15. CONTINGENCIES AND COMMITMENTS

The Finance Act, 2014, introduced amendments to Income Tax Ordinance, 2001. As a result of these amendments, companies are liable to withhold bonus shares at the rate of 5 percent. These shares will be released upon payments of tax by shareholders. The value of tax will be computed on the basis of day-end price on the first day of book closure.

In this regard, a Constitutional Petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

In the current year, Mari Petroleum Company Limited issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These haven't been deposited by the Company with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

There were no other contingencies and commitments outstanding as at June 30, 2015.

## **16. 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, a Constitutional Petition has been filed by certain CISs through their Trustees in the High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year 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 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 larger 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, SHC has not addressed the other amendments made in WWF Ordinance, 1971 about applicability of WWF to the CISs which is still pending before the SHC.

The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. Therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2015 amounting to Rs. 12.90 million which includes Rs. 3.45 million pertaining to the current year and Rs. 9.45 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.82 (1.11%).

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 AI 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. 1.03 million.

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015. As this change has been made in the definition, the change would appear to apply prospectively. Hence, the matter regarding previous years would need to be clarified by Regulatory bodies / Courts.

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	2015			Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	
(Rupees in '000)				
<b>On balance sheet - financial assets</b>				
Balances with banks	11,061	-	-	11,061
Investments	-	1,167,189	-	1,167,189
Receivable against sale of investments - (net)	63,294	-	-	63,294
Receivable on conversion of units	229,679	-	-	229,679
Dividend receivable	4,849	-	-	4,849
Deposits and other receivable	2,626	-	-	2,626
	<b>311,509</b>	<b>1,167,189</b>	<b>-</b>	<b>1,478,698</b>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan - Management Company	-	-	5,413	5,413
Payable to CDC - Trustee	-	-	183	183
Payable to Meezan Bank Limited	-	-	23	23
Payable on redemption and conversion of units	-	-	295,827	295,827
Accrued expenses and other liabilities	-	-	4,490	4,490
	<b>-</b>	<b>-</b>	<b>305,936</b>	<b>305,936</b>
2014				
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
(Rupees in '000)				
<b>On balance sheet - financial assets</b>				
Balances with banks	248,684	-	-	248,684
Investments	-	1,175,875	-	1,175,875
Dividend receivable	1,078	-	-	1,078
Deposits and other receivable	2,655	-	-	2,655
	<b>252,417</b>	<b>1,175,875</b>	<b>-</b>	<b>1,428,292</b>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan - Management Company	-	-	2,738	2,738
Payable to CDC - Trustee	-	-	150	150
Payable to Meezan Bank Limited	-	-	14	14
Payable on redemption and conversion of units	-	-	164	164
Accrued expenses and other liabilities	-	-	1,664	1,664
Payable against purchase of investments - (net)	-	-	238,282	238,282
	<b>-</b>	<b>-</b>	<b>243,012</b>	<b>243,012</b>

## 18. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

The risk management policy of the Fund aims to maximise the return attributable to the 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 and interest rate 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:

### 18.1 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 dividends receivable on equity securities and receivable against sale of investments.

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 securities are settled through approved brokers, thus the risk of default is considered to be minimal. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company 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, 2015 along with comparative is tabulated below:

#### Financial Assets

	2015 (Rupees in '000)	2014
Balances with banks	11,061	248,684
Investment - preference shares	3,393	-
Receivable against sale of investments - (net)	63,294	-
Receivable on conversion of units	229,679	-
Dividend receivable	4,849	1,078
Deposits and other receivable	2,626	2,655
	<b>314,902</b>	<b>252,417</b>

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

	2015 (Percentage)	2014
AAA	0.09	-
AA+	71.24	2.17
AA	28.66	97.83
A	0.01	-
	<b>100.00</b>	<b>100.00</b>

None of the financial assets were considered to be past due or impaired as on June 30, 2015.

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

Due to the Fund's long outstanding business relationships with these counter parties and after giving due consideration to their strong financial standing, the Fund does not expect any non performance by these counter parties on their obligations to the Fund.



## 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 offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder's redemptions at any time. The Fund manages the liquidity risk by maintaining maturities of financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

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 . However, no such borrowing has been obtained 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 the next dealing day, had such requests exceed ten percent of the total number of units in issue.

In addition to unitholder fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2015 along with comparative is tabulated below:

	2015				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan - Management Company	5,413	-	-	-	5,413
Payable to CDC - Trustee	183	-	-	-	183
Payable to Meezan Bank Limited	23	-	-	-	23
Payable on redemption and conversion of units	295,827	-	-	-	295,827
Accrued expenses and other liabilities	4,490	-	-	-	4,490
	<b>305,936</b>	-	-	-	<b>305,936</b>
	2014				
	Maturity upto			More than one year	Total
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan - Management Company	2,738	-	-	-	2,738
Payable to CDC - Trustee	150	-	-	-	150
Payable to Meezan Bank Limited	14	-	-	-	14
Payable against purchase of investments	238,282	-	-	-	238,282
Payable on redemption and conversion of units	164	-	-	-	164
Accrued expenses and other liabilities	1,664	-	-	-	1,664
	<b>243,012</b>	-	-	-	<b>243,012</b>

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 unit holders 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. Further, it is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations.

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

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 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 30 index (KMI).

The net assets of the Fund will increase / decrease by Rs 11.638 million (2014: Rs. 11.759 million) if the prices of equity vary due to increase / decrease in KMI 30 Index by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. The Fund manager manages the Fund's investment strategy by investing in companies of the index in proportion to their weightages. The Fund manager monitors the performance of the Fund and the benchmark index on a continuous basis. Upon rebalancing of the index, the Fund manager may also rebalance the portfolio within 30 days with the objective to minimize, before expenses, the tracking error of the Fund. The sensitivity analysis presented is based upon the portfolio composition as at June 30 and the historical correlation of the securities comprising the portfolio to the KMI.

#### **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 cash flows pertaining to debt instruments and their fair values.

##### *Cash flow interest rate risk*

The Fund's interest risk arises from the balances in saving accounts and investment in preference shares.

During the year ended June 30, 2015, the net income would have increased / (decreased) by Rs 0.118 million (2014: Rs 2.477 million) had the interest rates on profit and loss saving accounts 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.

### 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 asset 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) of 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 on 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. The quoted market prices used for financial assets held by the Fund is current bid price.

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

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

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

- Level 1: Quoted market price (unadjusted) in active markets for 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 (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 the assets that are measured at fair value as at June 30, 2015:

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Assets</b>				
<b>Investments 'at fair value through profit or loss' - Held for trading</b>				
- Equity securities	1,163,796	-	3,393	1,167,189
	<u>1,163,796</u>	<u>-</u>	<u>3,393</u>	<u>1,167,189</u>

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

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Assets</b>				
<b>Investments 'at fair value through profit or loss' - Held for trading</b>				
- Equity securities	1,175,875	-	-	1,175,875
	<u>1,175,875</u>	<u>-</u>	<u>-</u>	<u>1,175,875</u>

## 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 percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that for the purpose of determining distribution of at least 90 percent of accounting income, the income distributed through bonus units shall not be taken into accounts. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of the net accounting income other than capital gains to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current year as subsequent to the year end, the Management Company distributed sufficient income of the Fund for the year ended June 30, 2015, as reduced by capital gains (whether realised or unrealised) to its unitholders (refer note 27.1).

22. PERFORMANCE TABLE	2015	2014	2013	2012
Net assets (Rs '000) (ex-distribution)*	<b>1,159,323</b>	1,176,027	901,404	289,484
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)*	<b>71.70</b>	62.83	57.56	48.83
Offer price per unit as at June 30 (Rs.) (ex-distribution)*	<b>73.79</b>	64.68	59.27	50.12
Highest offer price per unit (Rs.)	<b>77.64</b>	79.69	79.42	51.49
Lowest offer price per unit (Rs.)	<b>61.18</b>	59.09	52.15	48.82
Highest redemption price per unit (Rs.)	<b>75.44</b>	77.41	77.12	50.17
Lowest redemption price per unit (Rs.)	<b>59.45</b>	57.40	50.64	47.57
<b>Distribution (%)</b>	<b>3.70</b>	19.60	31.00	-
Date of distribution	<b>July 3, 2015</b>	May 30, 2014	July 8, 2013	-
Growth distribution (Rupees in '000)	-	123,028	191,234	-
Total return (%)	<b>17.10</b>	26.50	49.62	(2.34)
	<b>One Year</b>	Two Year	Three Year	Four Year
Average annual return (%) as at June 30, 2015	<b>17.10</b>	21.71	30.38	21.29

\* The distribution is not accounted for in these financial statements as also explained in note 27.  
Investment portfolio composition of the Fund as described in Note 5.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

## 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 five years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Nineteen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Eleven years
Mr. Asif Mobin	VP Investments	MBA	Seventeen years
Mr. Ahmed Hassan	VP Investments	CFA / MBA	Eight years
Mr. Zain Malik	AVP Investments	CFA level II / BBA	Six years
Mr. Fahad Sultan	Head of Risk Management	CA / B.Com	Eight years

23.2 The Fund manager of the Fund is Mr. Asif Mobin. Other Funds being managed by the Fund manager are as follows:

- Al Meezan Mutual Fund.
- Meezan Financial Planning Fund of Funds



## 24. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein				
		August 28, 2014	October 29, 2014	February 20, 2015	April 15, 2015	May 15, 2015
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	Yes	Yes	Yes	No	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	No
Mr. Atif Azim	Director	Appointed w.e.f December 31, 2014		Yes	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	No	Yes	No
Mr. Mazhar Sharif	Director	No	Yes	Yes	No	Yes
Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Appointed w.e.f December 31, 2014		Yes	Yes	Yes

## 25. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2015 (Percentage)
1. Optimus Capital Management Limited	14.92
2. Taurus Securities Limited	14.08
3. Foundation Securities (Private) Limited	13.53
4. Elixir Securities Pakistan (Private) Limited	7.58
5. Arif Habib Limited	7.08
6. Topline Securities (Private) Limited	6.35
7. Shajar Capital Pakistan (Private) Limited	6.02
8. Aba Ali Habib Securities (Private) Limited	5.84
9. Standard Capital Securities (Private) Limited	5.70
10. Fortune Securities (Private) Limited	5.06

Broker's Name	2014 (Percentage)
1. Fortune Securities (Private) Limited	12.79
2. BMA Capital Management Limited	11.73
3. Global Securities (Private) Limited	11.61
4. Aba Ali Habib Securities (Private) Limited	11.41
5. Taurus Securities Limited	10.02
6. Arif Habib Limited	7.90
7. Optimus Capital Management Limited	7.73
8. Topline Securities (Private) Limited	7.28
9. Standard Capital Securities (Private) Limited	6.06
10. KASB Securities Limited	4.28

## 26. PATTERN OF UNITHOLDING

	2015		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment (%)
Individuals	369	290,441	25.05
Associated companies / directors	5	800,591	69.06
Retirement funds	6	8,057	0.69
Private limited companies	4	60,234	5.20
	<b>384</b>	<b>1,159,323</b>	<b>100.00</b>

	2014		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment (%)
Individuals	363	296,713	25.23
Associated companies / directors	4	775,279	65.92
Retirement funds	6	6,883	0.59
Others	6	97,152	8.26
	<b>379</b>	<b>1,176,027</b>	<b>100.00</b>

## 27. SUBSEQUENT EVENTS


**27.1** The Board of Directors in its meeting held on July 3, 2015 has announced a final cash dividend of 3.70% (Rs. 1.85 per unit) amounting to Rs. 29.160 million. The financial statements for the year ended June 30, 2015 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2016.

**27.2** In accordance with Finance Act, 2015, the Fund has discontinued provision for Workers Welfare Fund from July 1, 2015.

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 08, 2015 by the Board of Directors of the Management Company.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Mazhar Sharif**  
Director

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

AS AT JUNE 30, 2015

UNITS HELD BY	UNITS HELD	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	1,989,357	12.62
Meezan Capital Preservation Fund - III	4,638,473	29.43
Meezan Capital Preservation Fund - II	1,734,306	11.00
Meezan Bank Limited	2,113,224	13.41
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	409,326	2.60
<b>Executives</b>	2,466	0.02
<b>Individuals</b>	3,946,311	25.03
<b>Retirements Funds</b>	109,543	0.69
<b>Private Limited Companies</b>	818,938	5.20
<b>Total</b>	<b>15,761,944</b>	<b>100.00</b>



20  
years  
Celebration

meezan  
balanced fund  
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# MEEZAN BALANCED FUND

Meezan Balanced Fund aspires to create a balanced portfolio invested in high quality equity securities and Islamic Income Instruments such as TFCs, COIs, Certificates of Musharika, Islamic Sukuk, ready-future hedges, and other Shariah compliant instruments. The outcome of this is to generate long term capital appreciation as well as current income.

## 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  
Website: 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. Abdullah Ahmed Muhammad	Non-Executive	
Syed Amir Ali	Non-Executive	
Mr. Atif Azim	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Moin M. Fudda	Independent	
Mr. Mazhar Sharif	Non-Executive	
Mr. Mohammad Shoaib, CFA	Chief Executive	
Syed Amir Ali Zaidi	Non-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 SultanTrust Building No.2, Beaumont Road, Karachi - 75530.

### SHARIAH ADVISER

Meezan Bank Limited

### BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)	Habib Metropolitan Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking	MCB Bank Limited - Islamic Banking
BankIslami Pakistan Limited	Meezan Bank Limited
Bank Alfalah - Islamic Banking Branch	National Bank of Pakistan - Islamic Banking
Burj Bank Limited	UBL Ameen - Islamic Banking
Dubai Islamic Bank	

### LEGAL ADVISER

Bawaney & Partners  
3rd & 4th floor, 58-C, Lane-13, Bokhari Commercial Area, Phase VI, DHA, Karachi.  
Phone: (9221) 3515619-94 Fax: (9221) 35156195  
E-mail: bawaney@cyber.net.pk

### TRANSFER AGENT

Meezan Bank Limited  
Meezan House,  
C-25, Estate Avenue, SITE, Karachi.  
Phone: 3810 3538 Fax: 3640 6017  
Website: www.meezanbank.com

### DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



# REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2015

Meezan Balanced Fund (MBF) is a balanced fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products. The objective of MBF is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic fixed income avenues such as Sukuku (Islamic Bonds), Musharaka and Murabaha instruments, Shariah compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits, and other Islamic income products.

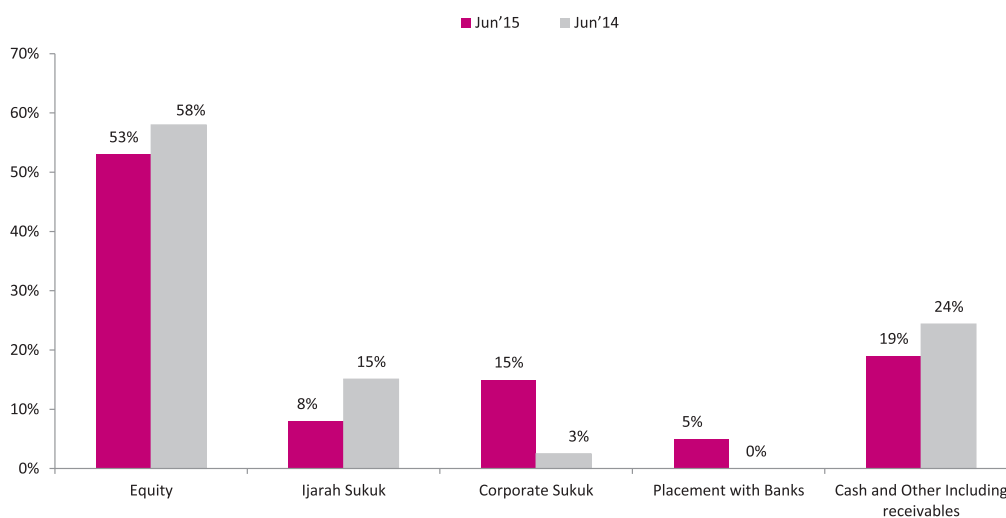
The fund invests only in Shariah Compliant instruments with the objective of maximizing total return to its unit holders and maintaining risks within acceptable levels. The fund also has a focus of long term preservation of capital and aims to maximize total returns by varying fund's allocations to fixed income and equity exposures in accordance with the economic conditions and market scenario.

## Strategy and Investment Policy

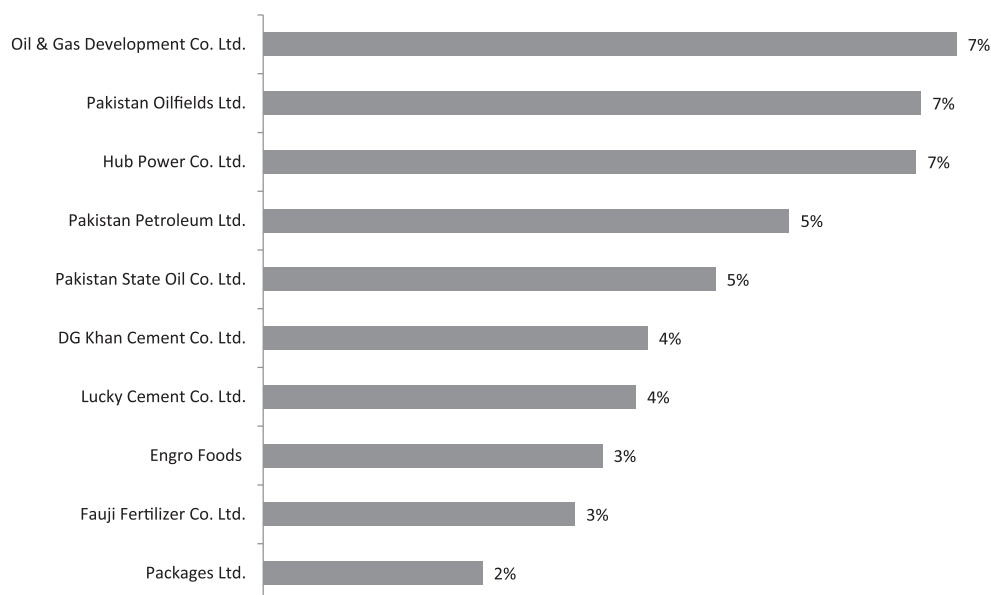
Being a balanced fund, performance of MBF is linked proportionately to the performance of stock market and Islamic fixed income instruments. The fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. The fund primarily aims at controlling risk by balancing growth and income earning objectives of certificate holders. To achieve this purpose, the fund manager strives to reduce equity exposure in times when the market is trading above valuations and increase exposure to high quality liquid Islamic fixed income instruments. As per policy, the fund can invest up to 60% in listed equities. During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum in a volatile interest rate environment and reaping benefits of fluctuation in interest rate, the fund manager over the period kept the duration of the fixed income portfolio below six months.

During the year, the fund maintained a significant exposure to Oil & Gas and Electricity sectors because of better prospects of these sectors. The average equity exposure in the fund during the year was maintained at 55.80% while the balance was deployed in fixed income avenues.

## Sector Allocation as on June 30th 2014 and 2015



## Top Equity Holdings



### Performance Review

During the fiscal year 2015, Meezan Balanced Fund (MBF) provided a return of 15.87% to its investors compared to benchmark return of 12.57%.

MBF posted a total income of Rs. 439 million in the fiscal year 2015 as compared to Rs. 450 million last year. Total income comprised of realized and unrealized gain on investments of Rs. 81 million and Rs. 189 million respectively. Dividend income contributed Rs. 68 million to the income, while profit on savings account with banks including profit on term deposit receipts amounted to Rs. 39 million. Profit on Sukuks certificates was Rs. 61 million, while reversal of provision on debt securities was made of Rs. 0.09 million. After accounting for expenses of Rs. 87 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 82 million, the Fund posted a net profit of Rs. 434 million. The net assets of the Fund as at June 30, 2015 were Rs. 3,383 million as compared to Rs. 1,930 million at the end of year depicting a rise of 75.26%. The net asset value per unit as at June 30, 2015 was Rs. 14.67 as compared to Rs. 13.35 per unit as on June 30, 2014.

NAV (Dividend Adjusted)	30-Jun-15	30-Jun-14	Change
Meezan Balanced Fund	14.67	13.35	15.87%
<b>Benchmark Returns (Inputs)</b>			
KMI 3057,271	47,687	20.10%	
Average Yield on Islamic Bank Deposits (annualized)			5.04%
KMI 30 Return	20.10%	50%	10.05%
Islamic Bank Deposit Return	5.04%	50%	2.52%
<b>Benchmark Return</b>			12.57%
<b>Outperformance</b>			3.30%



### 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, 2015 an amount of Rs. 1.023 million was accrued as charity payable.

### Distribution

The Board of Directors of Al Meezan Investments in its meeting held on July 3, 2015 has approved nil final distribution for the year ended June 30, 2015. The interim distribution in form of cash dividend by the Fund during the fiscal year ended June 30, 2015 was Rs. 0.80 per unit (8.00%). Total distribution made by the fund was Rs. 158.79 million.

### Breakdown of unit holdings by size

(As on June 30, 2015)

Range (Units)	Number of investors
1-9,999	1,222
10,000-49,999	616
50,000-99,999	244
100,000-499,999	227
500,000 and above	81
<b>Total</b>	<b>2,390</b>





**Meezan Bank**  
The Premier Islamic Bank

**Report of the *Shari'ah* Advisor –Meezan Balanced Fund**

July 31, 2015/Shawwal 14, 1436

In the capacity of *Shari'ah Advisor*, we have prescribed six criteria for *Shari'ah* compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non- *Shari'ah* compliant activities to Total assets (iv) *Shari'ah* Non-Compliant Income to Gross Revenue (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *Shari'ah* compliance 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 MBF in light of *Shari'ah* requirements. Following is the list of investments of MBF as on June 30, 2015 and their evaluation according to the screening criteria established by us. (December 31, 2014 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)
Hub Power Co Ltd	Power Generation and Distribution	20.94	0.04	0.06	30.00	5.42	78.36
Packages Ltd	Paper and Board	10.37	15.00	0.15	75.00	39.91	678.29
Lucky Cement	Cement	13.24	0.00	0.85	82.00	(55.52)	500.28
Engro Corporation Ltd	Fertilizer	31.09	13.35	1.45	71.00	(-165.63)	221.51
Pakistan State Oil Ltd	Oil and Gas Marketing Companies	34.69	13.01	0.87	21.30	18.90	357.91

\* 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.

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

- ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2015 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 MBF 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 1.02 million was created and an amount of Rupees 1.67 million was available for disbursement as of June 30, 2015.

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.



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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahr-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 BALANCED FUND**

**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 Balanced Fund (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, 2015 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 23, 2015



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Islamabad Stock Exchange 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. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Atif Azim Mr. Moin M. Fudda
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Abdullah Ahmed Muhammad Syed Amir Ali Mr. Tasnimul Haq Farooqui 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. During the year, no casual vacancy occurred on the Board of the Management Company.
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, 2015.
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 unit holding.
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, two 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.

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**Mohammad Shoaib, CFA**

Chief Executive

Dated: September 8, 2015

Karachi.





**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 Balanced Fund (“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 2015 to comply with the requirements contained in the Listing Regulations of the Islamabad Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code 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 of Directors’ 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 Audit Committee, and upon the recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 compliance of this requirement to the extent of approval of the 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 as applicable to the Fund for the year ended 30 June 2015.

**Date: 8 September 2015**

**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 Balanced Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015, and the related income statement and statement of comprehensive income, 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 2015, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

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.

*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: 8 September 2015**

**Karachi**

*KPMG Taseer Hadi & Co.*

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

# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Assets</b>			
Balances with banks	4	438,024	470,857
Investments (net)	5	2,859,132	1,499,193
Receivables on conversion of units		198,040	-
Dividend receivable		3,614	1,153
Receivables against sale of investments (net)		-	13
Deposits and other receivables	6	21,193	11,797
<b>Total assets</b>		<b>3,520,003</b>	<b>1,983,013</b>
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	7	28,033	9,557
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	358	239
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	2,135	1,465
Payable on redemption and conversion of units		10,220	2,074
Accrued expenses and other liabilities	10	56,084	31,826
Unclaimed dividend		39,713	7,366
<b>Total liabilities</b>		<b>136,543</b>	<b>52,527</b>
<b>Net assets</b>		<b>3,383,460</b>	<b>1,930,486</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund (as per statement attached)</b>		<b>3,383,460</b>	<b>1,930,486</b>
		<b>(Number of units)</b>	
<b>Number of units in issue</b>	14	<b>230,697,369</b>	<b>144,610,111</b>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>14.67</b>	<b>13.35</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA  
Chief Executive**



**Mazhar Sharif  
Director**



# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Income</b>			
Net realised gain on sale of investments		80,577	231,835
Dividend income		68,374	51,896
Profit on saving accounts with banks		34,363	25,089
Profit on term deposit receipts		4,952	-
Profit on sukuk certificates		61,377	46,644
Other income		68	9,572
		<b>249,711</b>	<b>365,036</b>
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.2.1.1	189,493	101,271
Reversal of / (provision) against non-performing debt securities (net)	5.1.2.5	85	(16,305)
		<b>189,578</b>	<b>84,966</b>
<b>Total income</b>		<b>439,289</b>	<b>450,002</b>
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - Management Company	7.1	50,241	34,473
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	16,781	11,769
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	3,512	2,724
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	2,135	1,465
Auditors' remuneration	13	515	561
Charity expense	10.1	1,023	940
Fees and subscription		150	432
Brokerage		2,321	1,364
Bank and settlement charges		956	668
Provision for Workers' Welfare Fund (WWF)	12	8,862	8,312
Printing charges		-	435
Conversion cost		-	3,840
Other expenses		148	-
<b>Total expenses</b>		<b>86,644</b>	<b>66,983</b>
<b>Net income from operating activities</b>		<b>352,645</b>	<b>383,019</b>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		81,608	24,261
<b>Net income for the year before taxation</b>		<b>434,253</b>	<b>407,280</b>
Taxation	21	-	-
<b>Net income for the year after taxation</b>		<b>434,253</b>	<b>407,280</b>
<b>Other comprehensive income for the year</b>			
Items that can be reclassified to income statements in subsequent periods			
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	5.2.2	16,084	(74,115)
<b>Total comprehensive income for the year</b>		<b>450,337</b>	<b>333,165</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA  
Chief Executive**



**Mazhar Sharif  
Director**



# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Undistributed income brought forward		
- Realised	209,274	238,809
- Unrealised	101,271	136,041
	<b>310,545</b>	374,850
Final distribution for the year ended June 30, 2014		
- cash dividend: nil (June 30, 2013 @ 15% Rs. 1.50 per certificate)	-	(180,000)
Interim distribution for the year ended June 30, 2015		
- bonus units: nil (June 30, 2014 @ 22.50% Rs. 2.25 per unit)	-	(279,974)
- cash dividend @ 8% Rs. 0.8 per unit (June 30, 2014: nil)	<b>(158,790)</b>	-
Total Distribution	<b>(158,790)</b>	(459,974)
Net income for the year	<b>434,253</b>	407,280
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)	<b>12,163</b>	(11,611)
Undistributed income carried forward	<b>598,171</b>	310,545
Undistributed income carried forward		
- Realised	<b>408,678</b>	209,274
- Unrealised	<b>189,493</b>	101,271
	<b>598,171</b>	310,545

The annexed notes 1 to 28 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA  
Chief Executive**




**Mazhar Sharif  
Director**

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Net assets at the beginning of the year	1,930,486	-
Issue of 120,000,000 units against cancellation of 120,000,000 certificates of Meezan Balanced Fund upon conversion from close end fund to an open end scheme	-	1,747,480
Issuance of 174,204,531 units for the year ended June 30, 2015 (June 30, 2014: 26,201,343 units)	2,542,584	400,168
Redemption of 88,117,273 units for the year ended June 30, 2015 (June 30, 2014: 22,817,428 units)	(1,299,549)	(346,066)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	1,243,035	54,102
Issue of bonus units for the year ended June 30, 2015: nil (June 30, 2014: 21,226,196 units)	(81,608)	(24,261)
Net realised gain on sale of investments	-	279,974
Unrealised appreciation in the value of investments (net)	80,577	231,835
Other net income for the year	189,578	84,966
Total comprehensive income for the year	180,182	16,364
Final distribution for the year ended June 30, 2014 - cash dividend: nil (June 30, 2013 @ 15% Rs. 1.50 per certificate)	450,337	333,165
Interim distribution for the year ended June 30, 2015 - bonus units: nil (June 30, 2014 @ 22.50% Rs. 2.25 per unit) - cash dividend @ 8% Rs. 0.8 per unit (June 30, 2014: nil)	-	(180,000)
Total distribution	(158,790)	(279,974)
Net income for the year less distribution	(158,790)	-
Net assets at end of the year	291,547	(126,809)
	<b>3,383,460</b>	<b>1,930,486</b>
	<b>(Rupees)</b>	
Net assets value per unit at beginning of the year	<b>13.35</b>	14.56
Net assets value per unit at end of the year	<b>14.67</b>	13.35

The annexed notes 1 to 28 form an integral part of these financial statements.

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

  
**Mohammad Shoaib, CFA  
Chief Executive**

  
**Mazhar Sharif  
Director**

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		434,253	407,280
<b>Adjustments for:</b>			
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.2.1.1	(189,493)	(101,271)
(Reversal) of / provision against non-performing debt securities (net)	5.1.2.5	(85)	16,305
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(81,608)	(24,261)
		<b>163,067</b>	<b>298,053</b>
<b>(Increase) / decrease in assets</b>			
Investments - (net)		(1,154,277)	5,618
Dividend receivable		(2,461)	(179)
Deposits and other receivables		(9,383)	1,299
		<b>(1,166,121)</b>	<b>6,738</b>
<b>Increase / (decrease) in liabilities</b>			
Payable to AI Meezan Investment Management Limited - Management Company		18,476	5,902
Payable to Central Depository Company of Pakistan Limited - Trustee		119	83
Payable to Securities and Exchange Commission of Pakistan		670	109
Payable against purchase of investments		-	(8,921)
Accrued expenses and other liabilities		24,258	6,075
		<b>43,523</b>	<b>3,248</b>
<b>Net cash (used) in / generated from operating activities</b>		<b>(959,531)</b>	<b>308,039</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance of units		2,344,544	400,168
Payment against redemption of units		(1,291,403)	(343,992)
Dividend paid		(126,443)	(190,051)
<b>Net cash generated from / (used) in financing activities</b>		<b>926,698</b>	<b>(133,875)</b>
Net (decrease) / increase in cash and cash equivalents during the year		(32,833)	174,164
Cash and cash equivalents at beginning of the year		470,857	296,693
Cash and cash equivalents at end of the year	4	438,024	470,857

The annexed notes 1 to 28 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA**  
Chief Executive



**Mazhar Sharif**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2015

### 1. LEGAL STATUS AND NATURE OF BUSINESS

**1.1** Meezan Balanced Fund (the Fund) was initially established as a closed-end scheme under a Trust Deed executed between AI Meezan Investment Management Limited (AI Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The registered office of the Management Company is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.

Subsequently, on May 3, 2013, SECP vide its letter No. SCD/AMCW/MBF /512/2013 has approved the conversion of the closed end structure into an open end scheme through the establishment of the Unit Trust Scheme under the name of Meezan Balanced Fund (MBF). On June 27, 2013, SECP vide its letter No SCD/AMCW/MBF/613/2013 registered MBF (the open-end scheme) as a notified entity and has withdrawn the registration of MBF as close end scheme with effect from the effective date i.e. 01 July 2013 and therefore from July 1, 2013, the Fund has been converted into an open end scheme and accordingly the certificate holders of closed end scheme at June 30, 2013, were converted to unitholders of open end scheme from July 1, 2013.

**1.2** The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP.

**1.3** The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality Shariah Compliant equity securities and Islamic income instruments such as TFCs, Islamic Sukuks (certificates of Islamic investment), musharaka certificates, Government Securities, Cash in bank accounts, Money Market Placements, Deposits, Certificates of Deposits, TDRs, Commercial Papers, Reverse Repos, Spread Transactions, and other Shariah compliant instruments as indicated by the Commission. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Islamic Shariah.

**1.4** Units of the fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Management Company has been given a quality rating of AM2+ by JCR - VIS Credit Rating Company Limited.

**1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee and the listing of the units of the open end scheme has been made to the Islamabad Stock Exchange.

### 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 earlier referred 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 the SECP. Wherever, the requirements of the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

## 2.2 Basis of measurement

These financial statements have been prepared on historical cost basis except for investments classified as 'at fair value through profit or loss' and 'available for sale'. These 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 assumptions

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) Recognition of provision for Workers' Welfare Fund (note 12 and 27)
- (c) Impairment of financial instruments (note 3.1.5)
- (d) Taxation (note 3.8.1 and 21)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- 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. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model



to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Fund's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Agriculture: Bearer Plants [Amendments 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 company 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. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves

a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Fund's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
  - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The interpretation will not likely have an impact on the 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 years presented, unless otherwise stated.

#### **3.1 Financial instruments**

##### **3.1.1 Classification**

The Fund classifies its financial assets in the following categories: 'at fair value through profit or loss', 'loans and receivables' 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 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) 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'.

**(c) 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 above.

**3.1.2 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.

**3.1.3 Measurement**

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

Subsequent to initial recognition, instruments classified as financial assets 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement. 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.

Financial assets classified as 'loans and receivables' 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.

#### **3.1.4 Fair value measurement principles**

The fair value of financial instruments is determined as follows:

##### *Basis of valuation of debt securities:*

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

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

##### *Basis of valuation of government securities:*

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

##### *Basis of valuation of equity securities:*

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

#### **3.1.5 Impairment**

Impairment loss on investments other than 'available for sale' is recognised in the Income Statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the Income Statement.

In case of 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 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.

### 3.1.6 Derecognition

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

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

### 3.1.7 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.

### 3.1.8 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.

## 3.2 Unitholders' Fund

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to 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 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 prevalent on the date on which the distributors receive redemption application during business hours on that date. 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

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 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.

### **3.7 Earnings per unit**

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

### **3.8 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in other comprehensive income.

#### *Current*

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, which arises from assessments / developments during the year.

#### *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.

- 3.8.1** The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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. Accordingly Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 4B of Income Tax Ordinance, 2001).

However, the Fund has availed the tax exemption by distributing sufficient income of the Fund for the year ended June 30, 2015, as reduced by capital gains (whether realised or unrealised) to its unitholders. Accordingly, no provision for current 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 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) Income on sukuk certificates, placements and government securities is recognized on a time proportionate basis using effective yield method, except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.
- (iv) Profit on bank deposit is recognized on time proportion basis using effective yield method.

### 3.10 Expenses

All expenses, including Management fee, Trustee fee, SECP fee are recognised in the Income Statement as and when incurred.

### 3.11 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.

### 3.12 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 allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by its investment committee for taking strategic decisions. Therefore the operating segments are equity sub-portfolio and debt sub-portfolio.

### 3.13 Distribution

Distribution including bonus units and appropriation to reserves are recognised in the year in which they are approved.

#### 4. BALANCES WITH BANKS

	Note	2015 (Rupees in '000)	2014
On current accounts		9,213	6,849
On saving accounts	4.1	428,811	464,008
		<u>438,024</u>	<u>470,857</u>

4.1 The balances in saving accounts have an expected profit ranging from 3.79% to 7.30% (2014: 3.72% to 9.20%) per annum.

#### 5. INVESTMENTS (net)

	Note	2015 (Rupees in '000)	2014
Investments - 'at fair value through profit or loss'	5.1	<b>2,434,966</b>	1,205,799
Investments - 'available for sale'	5.2	<b>250,166</b>	293,394
Investments - 'Loans and receivables'	5.3	<b>174,000</b>	-
		<u><b>2,859,132</b></u>	<u>1,499,193</u>

##### 5.1 Investments - 'at fair value through profit or loss'

Held for trading	5.1.1	<b>1,826,772</b>	1,115,673
Investments at fair value through profit or loss upon initial recognition	5.1.2	<b>608,194</b>	90,126
		<u><b>2,434,966</b></u>	<u>1,205,799</u>

##### 5.1.1 Held for trading

Shares of listed companies 'Ordinary shares'	5.1.1.1	<b>1,539,664</b>	816,464
Sukuk certificates	5.1.1.4	<b>287,108</b>	299,209
		<u><b>1,826,772</b></u>	<u>1,115,673</u>

##### 5.1.1.1 Shares of listed companies 'Ordinary shares'

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of total investments
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----

##### Sector / Companies

##### Banks

Meezan Bank Limited (an associate company of the Fund)	673,500	400,000	-	-	1,073,500	48,122	44,013	(4,109)	<b>1.54</b>
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##### Automobile and parts

Indus Motors Company Limited	-	10,000	-	-	10,000	11,300	12,490	1,190	0.44
Pakistan Suzuki Motor Company Limited	17,800	5,000	-	-	22,800	6,284	9,939	3,655	0.35
Honda Atlas Cars	-	292,500	-	46,000	246,500	40,458	53,904	13,446	1.89
									<b>2.68</b>

##### Automobile assemblers

Millat Tractors Company Limited	-	11,800	-	-	11,800	7,169	8,093	924	<b>0.28</b>
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##### Automobile parts and accessories

Thal Limited (note 5.1.1.2)	41,000	-	-	-	41,000	8,503	11,703	3,200	<b>0.41</b>
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##### Cable & Electrical Goods

Pak Elektron	-	1,010,000	-	210,000	800,000	45,088	66,192	21,104	<b>2.32</b>
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Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain/(loss) as at June 30, 2015	Percentage of market value of total investments
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Chemicals</b>									
ICI Pakistan Limited	17,195	-	-	-	17,195	6,712	7,375	663	<b>0.26</b>
<b>Cement</b>									
Attock Cement Pakistan Limited	402	85,000	-	-	85,402	18,020	16,278	(1,742)	0.57
Cherat Cement Company Limited	-	124,000	-	-	124,000	9,259	10,792	1,533	0.38
DG Khan Cement Company Limited	277,660	449,500	-	656,400	70,760	7,270	10,103	2,833	0.35
Fauji Cement Company Limited	771,000	1,732,000	-	115,000	2,388,000	68,578	83,270	14,692	2.91
Kohat Cement Limited	-	225,200	-	-	225,200	35,571	45,006	9,435	1.57
Lafarge Pak Limited	-	3,433,292	-	3,416,646	16,646	252	324	72	0.01
Lucky Cement Limited	264,000	175,000	-	105,000	334,000	138,978	173,553	34,575	6.07
Maple Leaf Cement Limited	-	570,000	-	220,000	350,000	20,449	27,496	7,047	0.96
Pioneer Cement Limited	116,000	100,000	-	-	216,000	10,912	18,423	7,511	0.64
									<b>13.46</b>
<b>Fertilizers</b>									
Engro Fertilizers Limited	-	455,000	-	-	455,000	39,137	40,354	1,217	1.41
Engro Corporation Pakistan Limited (note 5.1.1.3)	-	1,003,500	-	428,500	575,000	146,551	170,660	24,109	5.97
Fatima Fertilizer Limited	-	784,000	-	50,000	734,000	27,406	28,677	1,271	1.00
Fauji Fertilizer Bin Qasim Limited	275,000	-	-	275,000	-	-	-	-	-
Fauji Fertilizer Company Limited	284,700	230,000	-	395,000	119,700	14,724	17,886	3,162	0.63
									<b>9.01</b>
<b>Technology &amp; Communication</b>									
Pakistan Telecommunication Company Limited "A"	772,510	950,000	-	50,000	1,672,510	39,589	34,287	(5,302)	<b>1.20</b>
<b>Paper &amp; Board</b>									
Packages Limited	38,000	109,600	-	-	147,600	87,320	87,686	366	<b>3.07</b>
<b>Refinery</b>									
Attock Refinery Limited	5,000	50,000	-	55,000	-	-	-	-	-
National Refinery Limited	42,500	-	-	40,000	2,500	538	580	42	<b>0.02</b>
<b>Oil &amp; Gas Exploration</b>									
Oil and Gas Development Company Limited (note 5.1.1.3)	101,800	10,000	-	111,800	-	-	-	-	-
Pakistan Oilfields Limited	276,725	-	-	90,000	186,725	107,236	75,403	(31,833)	2.64
Pakistan Petroleum Limited	344,396	-	-	340,000	4,396	986	722	(264)	0.03
Mari Petroleum Company Limited (note 11)	30,000	8,000	6,000	36,000	8,000	1,788	3,749	1,961	0.13
									<b>2.80</b>
<b>Oil and Gas Marketing</b>									
Pakistan State Oil Company Limited	353,604	132,500	-	186,100	300,004	116,371	115,738	(633)	4.05
Attock Petroleum	-	9,600	-	-	9,600	4,992	5,445	453	0.19
Hascol Petroleum Limited (note 11)	-	50,000	5,500	-	55,500	5,033	6,355	1,322	0.22
Sui Northern Gas Pipeline Limited	400,000	200,000	-	125,000	475,000	12,081	12,654	573	0.44
									<b>4.90</b>
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pakistan) Limited	31,000	-	-	-	31,000	17,742	20,687	2,945	0.72
Ferozsons (Lab)	-	5,000	-	5,000	-	-	-	-	-
The Searle Company	-	130,800	-	26,000	104,800	26,592	33,608	7,016	1.18
									<b>1.90</b>
<b>Food &amp; Personal Care Products</b>									
Engro Foods Limited	185,100	626,000	-	211,100	600,000	73,810	90,864	17,054	3.18
<b>Textile (Composite)</b>									
Nishat Mills Limited	278,000	163,800	-	-	441,800	50,353	50,467	114	1.77
<b>Power Generation &amp; Distribution</b>									
The Hub Power Company Limited	294,097	625,000	-	183,000	736,097	55,594	68,877	13,283	2.41
K-Electric Limited (note 5.1.1.2)	1,650,000	2,790,000	-	2,000,000	2,440,000	20,951	20,545	(406)	0.72
Kohinoor Energy Limited	65,000	-	-	-	65,000	2,692	3,282	590	0.11
Lalpir Power	-	827,000	-	150,000	677,000	20,046	20,648	602	0.72
Pakgen Power Limited	-	100,000	-	50,000	50,000	1,447	1,501	54	0.05
									<b>4.01</b>
<b>Real Estate Investment Trust</b>									
Dolmen City REIT	-	2,728,000	-	-	2,728,000	30,008	30,035	27	1.05
<b>Total</b>						<b>1,385,912</b>	<b>1,539,664</b>	<b>153,752</b>	
<b>Total cost of investments</b>							<b>1,305,283</b>		

**5.1.1.2** All shares have a face value of Rs 10 each except for the shares of Thal Limited and K Electric which have a face value of Rs. 5 and Rs. 3.5 each respectively.

**5.1.1.3** 150,000 shares of Engro Corporation Limited, having market value of Rs 44.520 million as at June 30, 2015 (June 30, 2014: Oil and Gas Development Company Limited Rs. 26.128 million) have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark-to-market losses.

#### 5.1.1.4 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2014	Purchases during the year	Sales / Matured during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of investments
			----- Number of certificates -----			----- (Rupees in '000) -----			----- % -----	
GoP Ijarah Sukuk Certificates - IX (Note 5.1.1.5 & 5.1.1.6)	November 21, 2015	Weighted Average 6 months T-Bills	500	1,200	-	1,700	170,700	171,360	660	5.99
GoP Ijarah Sukuk Certificates - XI (Note 5.1.1.5 & 5.1.1.6)	November 21, 2015	Weighted Average 6 months T-Bills"	600	450	1,050	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XII (Note 5.1.1.5 & 5.1.1.6)	November 21, 2015	Weighted Average 6 months T-Bills	1,150	-	-	1,150	118,255	115,748	(2,507)	4.05
GoP Ijarah Sukuk Certificates - XV (Note 5.1.1.5)	June 25, 2017	Weighted Average 6 months T-Bills	690	-	690	-	-	-	-	-
<b>Total</b>							<b>288,955</b>	<b>287,108</b>	<b>(1,847)</b>	
<b>Total cost of investments</b>							<b>288,955</b>			

**5.1.1.5** The nominal value of the sukuk certificates of GoP Ijarah is Rs 100,000 each.

**5.1.1.6** On December 12, 2014, the GoP has extended the maturity of these sukuks to November 21, 2015 through a resolution passed in the Extra Ordinary General Meeting of sukukholders held on November 10, 2014.

#### 5.1.2 Investments - 'at fair value through profit or loss upon initial recognition'

	Note	2015 (Rupees in '000)	2014
Shares of listed companies 'Ordinary shares'	5.1.2.1	<b>75,369</b>	40,169
Sukuk certificates	5.1.2.2	<b>529,931</b>	49,957
Preference shares	5.1.3	<b>2,894</b>	-
		<b>608,194</b>	90,126



### 5.1.2.1 Shares of listed companies 'Ordinary shares'

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of total investments
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----
<b>Sector / Companies</b>									
<b>Automobile and parts</b>									
Indus Motor Company Limited	50,055	-	-	-	50,055	26,926	62,519	35,593	2.19
<b>Banks</b>									
Meezan Bank Limited (an associate company of the Fund)	277,593	-	-	-	277,593	12,003	11,381	(622)	0.40
<b>Paper and Board</b>									
Packages Limited	2,473	-	-	-	2,473	1,240	1,469	229	0.05
<b>Total</b>						<b>40,169</b>	<b>75,369</b>	<b>35,200</b>	
<b>Total cost of investments</b>							<b>12,894</b>		

### 5.1.2.1.1 Unrealized appreciation on remeasurement of investments at 'fair value through profit or loss'

	Note	2015 (Rupees in '000)	2014
Shares of listed companies (ordinary shares) - held for trading	5.1.1.1	153,752	80,156
Sukuk certificates - held for trading	5.1.1.4	(1,847)	5,209
Shares of listed companies (ordinary shares) - fair value through profit or loss upon initial recognition	5.1.2.1	35,200	16,000
Sukuk certificates - fair value through profit or loss upon initial recognition	5.1.2.2	2,388	(94)
		<b>189,493</b>	<b>101,271</b>

### 5.1.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2014	Purchases during the year	Redemptions /Matured during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of investments
			----- Number of certificates -----					----- (Rupees in '000) -----		
<b>Secured</b>										
Engro Fertilizer Pakistan Limited (A+, PACRA, non-traded) (note 5.1.2.3)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	10,000	-	5,000	5,000	24,978	24,963	(15)	0.87
Engro Fertilizer Pakistan Limited - II (A+, PACRA, non-traded) (note 5.1.2.3)	July 9, 2019	6 months KIBOR plus base rate of 1.75%	-	13,600	340	13,260	66,300	68,703	2,403	2.40
K Electric Limited - (7 years) (note 5.1.2.3 and 5.1.2.3.2) (AA, JCR-VIS, non-traded)	June 17, 2022	6 months KIBOR plus base rate of 1%	-	87,253	-	87,253	436,265	436,265	-	15.26
Security Leasing * Corporation Limited II (note 5.1.2.3 & 5.1.2.4)	January 19, 2022	Nil	1,557	-	17	1,540	-	-	-	-
Eden Housing Limited * (note 5.1.2.3.1 & 5.1.2.4)	September 29, 2014	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	-	-	-	-

Name of the investee company	Maturity	Profit rate	As at July 01, 2014	Purchases during the year	Redemptions /Matured during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss) as at June 30, 2015	Percentage of market value of investments
			----- Number of certificates -----			----- (Rupees in '000) -----			----- % -----	
Arzoo Textile Mills Limited * (note 5.1.2.3 & 5.1.2.4)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	-	-	-	-
Lalpir Power Limited- CP Sukuk (note 5.1.2.3)	February 18, 2015	KIBOR plus base rate of 0.30%	6 months	-	34,600	34,600	-	-	-	-
Total							527,543	529,931	2,388	
Total cost of investments							<u>562,726</u>			

\* In case of debt securities against which provision has been made, these are carried at carrying value less provision.

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

**5.1.2.3.1** The nominal value of sukuk certificates of Eden Housing Limited is Rs. 984.375 each.

**5.1.2.3.2** The securities carried at cost since market value is not available.

**5.1.2.3.3** On May 6, 2011, Eden Housing sukuk certificates have been classified as non-performing by MUFAP. Therefore in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 4.922 million has also been held as provision against the outstanding principal as at June 30, 2015.

**5.1.2.3.4** The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore in accordance with the requirement of Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs. 7.701 million has also been held as provision against the outstanding principal as at June 30, 2015. During the year SLCL repaid an amount of Rs. 0.85 million to the Fund.

**5.1.2.3.5** The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify Funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (Management Company) classified Meezan Balanced Fund (the Fund) as 'Balanced Scheme' in accordance with the said circular. As at June 30, 2015, the Fund is compliant with all the requirements of the said circular.

**5.1.2.4** Following investments of the Fund are in the sukuk certificates which are below 'investments grade' securities:

Name of the investee company	Type of investments	Value of investments before provision	Provision held as at June 30, 2015	Value of investments after provision	Percentage of net assets	Percentage of total assets
		(Rupees in '000)			% -----	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	25,000	25,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	4,922	4,922	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	7,701	7,701	-	-	-
		<b>37,623</b>	<b>37,623</b>	-		

### 5.1.2.5 Provision on sukuk certificates

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Opening		37,708	21,403
(Reversal) / provision for the year - net	5.1.2.3.4	(85)	16,305
Closing		<b>37,623</b>	<b>37,708</b>

### 5.1.3 Preference Shares

Name of Security- Unlisted	Note	Number of Shares	Carrying Value (Rupees in '000)
Mari Petroleum Company Limited- at cost	5.1.3.1	289,410	2,894

**5.1.3.1** During the year, Mari Petroleum Company Limited announced dividend in specie for distribution of un-distributable balance standing in its accounts as at June 30, 2014 in the form of non-voting, non-cumulative, unlisted redeemable Preference Shares having a face value of Rs. 10 each, in the ratio of Rs.87.70 for every ordinary share held by the minority shareholders. Profit rate on preference shares is one year kibor prevailing on the last working day of each financial year plus 3 percent per annum and are redeemable at par in cash solely at the option of the issuer between 1st and 10th anniversary of the issue. Efforts are being made by the Management for the divestment of these instruments.

### 5.2 Investments - 'available for sale'

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Shares of listed companies (Ordinary shares)	5.2.1	250,166	293,394
		<b>250,166</b>	<b>293,394</b>

### 5.2.1 Shares of listed companies (Ordinary shares)

Name of the investee company	As at July 01, 2014	Purchases during the year	Right issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain/(loss) as at June 30, 2015	Percentage of market value of total investments
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----
<b>Indus Motor Company Limited</b>	11,075	-	-	-	11,075	2,422	13,833	11,411	0.48
Pakistan Suzuki Motor Company Limited	11,260	-	-	-	11,260	833	4,908	4,075	0.17
									<b>0.65</b>
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	1,207	-	-	-	1,207	17	49	32	0.00
BankIslami Pakistan Limited	500	-	375	-	875	5	9	4	0.00
									<b>0.00</b>
<b>Fertilizers</b>									
Fauji Fertilizer Bin Qasim Limited	3,377	-	-	3,000	377	13	21	8	0.00
Fauji Fertilizer Company Limited	30,599	-	-	-	30,599	2,465	4,572	2,107	0.16
									<b>0.16</b>
<b>Chemicals</b>									
ICI Pakistan Limited	7,921	-	-	-	7,921	999	3,397	2,398	0.12
<b>Cement</b>									
Attock Cement Pakistan Limited	287	-	-	-	287	11	55	44	0.00
DG Khan Cement Company Limited	383,249	-	-	304,000	79,249	3,121	11,314	8,193	0.40
Lucky Cement Limited	7,451	-	-	-	7,451	887	3,872	2,985	0.14
									<b>0.54</b>
<b>Power Generation &amp; Distribution</b>									
The Hub Power Company Limited	1,264,050	-	-	-	1,264,050	46,726	118,277	71,551	4.14
<b>Paper and Board</b>									
Packages Limited	150,000	-	-	-	150,000	77,511	89,112	11,601	3.12
<b>Oil &amp; Gas</b>									
Oil and Gas Development Company Limited (note 5.1.1.3)	345,666	-	-	345,666	-	-	-	-	-
Pakistan Petroleum Limited	4,548	-	-	-	4,548	558	747	189	0.03
									<b>0.03</b>
<b>Total</b>						<b>135,568</b>	<b>250,166</b>	<b>114,598</b>	
<b>Total cost of investments</b>							<b>135,568</b>		

### 5.2.2 Net unrealised appreciation/(diminution) on re-measurement of investment classified as 'available for sale'

	Note	2015 (Rupees in '000)	2014
Market value of investments		<b>250,166</b>	293,394
Less: Cost of investments		<b>135,568</b>	194,880
		<b>114,598</b>	98,514
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the period		<b>98,514</b>	172,629
		<b>16,084</b>	(74,115)
<b>5.3 Investment- loans and receivables</b>			
Term deposit receipts - having original maturity of more than 3 months	5.3.1	<b>174,000</b>	-

5.3.1 Name of the bank	Maturity	Profit range	As at July 01, 2014	Placement made during the year	Matured during the year	As at June 30, 2015	Percentage of total value of investments
		----- % -----	----- (Rupees in '000) -----			----- % -----	
Meezan Bank Limited	February 22, 2016	6.70 - 8.46	-	174,000	(174,000)	-	-
Meezan Bank Limited	June 22, 2016	6.70	-	174,000	-	174,000	6.09
			-	<b>348,000</b>	<b>(174,000)</b>	<b>174,000</b>	

## 6. DEPOSITS AND OTHER RECEIVABLES

Note	2015 (Rupees in '000)	2014
Security deposits	2,800	2,800
Profit receivable on saving accounts and Term Deposit Receipts with banks	11,993	5,858
Profit receivable on sukuk certificates	6,400	3,139
	<b>21,193</b>	<b>11,797</b>

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

Management fee	7.1	5,515	3,138
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	15,433	5,863
Sales load payable		3,418	178
Sindh Sales Tax and Federal Excise Duty payable on sales load	7.2 & 7.3	3,667	378
		<b>28,033</b>	<b>9,557</b>

- 7.1** Under the provisions of NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding 3 percent of the average annual net assets of the Fund during the first five year of the Fund's existence, and thereafter, of an amount equal to 2 percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of 2 percent per annum of the average annual net assets of the Fund.
- 7.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 15 percent (till 30 June 2014: 16 percent) was charged on remuneration of Management Company and sales load.
- 7.3** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent 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. The 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. 14.123 million ( June 30, 2014: Rs. 3.640 million). Had the provision not been made, the Net Assets value per unit of the Fund as at June 30, 2015 would have been higher by Rs. 0.06 per unit (2014: 0.03 per unit).



## 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 average daily net assets value of the Fund.

The remuneration of the Trustee for the year ended June 30, 2015 has been calculated as per the following applicable tariff:

<b>Net assets</b>	<b>Tariff</b>
From Rs. 1 million to Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of NAV, which ever is higher.
On amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV, on amount exceeding Rs.1,000 million.

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

This represents annual fee payable to SECP. Fee at the rate of 0.085 percent of the average annual net assets of the Fund is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations.

## 10. ACCRUED EXPENSES AND OTHER LIABILITIES

	<b>Note</b>	<b>2015 (Rupees in '000)</b>	<b>2014</b>
Auditors' remuneration		<b>370</b>	369
Charity payable	10.1	<b>1,674</b>	1,063
Provision for Worker Welfare Fund (WWF)	12	<b>37,909</b>	29,047
Brokerage		<b>376</b>	733
Withholding tax payable		<b>15,008</b>	-
Others		<b>747</b>	614
		<b>56,084</b>	31,826

**10.1** According to the instructions of the shariah advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.674 million (2014: Rs 1.063 million) is outstanding in this regard after making charity payments of Rs 0.412 million (2014: Rs 4.003 million) to renowned charitable institutions. None of the directors of the Management Company of the Fund were interested in any of donees.

## 11. CONTINGENCIES AND COMMITMENTS

The Finance Act, 2014, introduced amendments to Income Tax Ordinance, 2001. As a result of these amendments, companies are liable to withhold bonus shares at the rate of 5 percent. These shares will be released upon payments of tax by shareholders. The value of tax will be computed on the basis of day-end price on the first day of book closure.

In this regard, a Constitution Petition has been filed by Collective Investment Schemes (CISs) through their

Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

In the current year, Mari Petroleum Company Limited and Hascol Petroleum Limited issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These have not been deposited by the Company with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

There were no other contingencies and commitments outstanding as at June 30, 2015.

## 12. WORKERS' WELFARE FUND (WWF)

The Finance Act, 2008, introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2 percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their Trustees in the High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year 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 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 SHC 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. Therefore, the Management Company as a matter of abundant caution has recognised WWF amounting to Rs. 37.909 million which includes Rs. 8.862 million pertaining to the current year and Rs. 29.047 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.16 (1.12%)."

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015. As this change has been made in the definition, the change would appear to apply prospectively. Hence, the matter regarding previous years would either need to be clarified by Regulatory Bodies / Courts.

### 13. AUDITORS' REMUNERATION

	Note	2015 (Rupees in '000)	2014
Statutory Audit fee		290	290
Half yearly review fee		110	110
Other certifications		110	110
Out of pocket expenses		5	51
		<u>515</u>	<u>561</u>

### 14. NUMBER OF UNITS IN ISSUE

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

	Note	2015 (Number of units)	2014
Total units in issue at the beginning of the year		144,610,111	-
Units issued against cancellation of certificates		-	120,000,000
Units issued during the year		174,204,531	26,201,343
Bonus units issued during the year		-	21,226,196
Units redeemed during the year		(88,117,273)	(22,817,428)
<b>Total units in issue at the end of the year</b>		<u><b>230,697,369</b></u>	<u>144,610,111</u>

### 15. SEGMENT REPORTING

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 reports reviewed by this committee for taking strategic decisions.

The committee considers the investments as two sub-portfolios, which are managed by the Fund manager of the Management Company. These sub-portfolios consist of an equity portfolio, which focuses on equity securities and related derivatives; the second sub-portfolio consisting of debt instruments.

The reportable operating segments derive their income by seeking investments to achieve targeted returns that consummate with an acceptable level of risk within each portfolio. These returns consist of profit on sukuk certificates, dividends, gain on disposals of investments and unrealised gain / (loss) on the appreciation / (diminution) in the value of the investments.

There were no changes in the reportable segments during the year.

The segment information provided to the investment committee and the Fund manager for the reportable segments is as follows:

For the year ended June 30, 2015		
Equity sub -portfolio	Debt sub -portfolio	Total
(Rupees in '000)		
Profit on sukuk certificates	61,377	61,377
Dividend income	-	68,374
Net realised gain / (loss) on sale of investments	(1,258)	80,577
Brokerage	(16)	(2,321)
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss'	541	189,493
Reversal of provision against non performing debt securities (net)	85	85
<b>Total net segment income</b>	<b>60,729</b>	<b>397,585</b>

**Total segment assets:**

As at June 30, 2015		
Equity sub -portfolio	Debt sub -portfolio	Total
(Rupees in '000)		
Investments	993,933	2,859,132
Dividend receivable	-	3,614
Profit receivable on sukuk certificates	6,400	6,400
<b>Total segment assets</b>	<b>1,000,333</b>	<b>2,869,146</b>

**Total segment liabilities include:**

Charity payable	1,674	-	1,674
Brokerage Payable	376	-	376
Others	91	-	91
<b>Total segment liabilities</b>	<b>2,141</b>	<b>-</b>	<b>2,141</b>

For the year ended June 30, 2014		
Equity sub -portfolio	Debt sub -portfolio	Total
(Rupees in '000)		
Profit on sukuk certificates	46,644	46,644
Dividend income	-	51,896
Net realised gain on sale of investments	11,824	231,835
Brokerage	(13)	(1,364)
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss'	5,115	101,271
Provision against non performing debt securities (net)	(16,305)	(16,305)
<b>Total net segment income</b>	<b>47,265</b>	<b>413,977</b>

As at June 30, 2014		
Equity sub -portfolio	Debt sub -portfolio	Total
(Rupees in '000)		
<b>Total segment assets</b>	<b>352,305</b>	<b>1,503,485</b>
<b>Total segment liabilities</b>	<b>-</b>	<b>1,994</b>

**Total segment assets include:**

Investments - 'fair value through profit or loss'	856,633	349,166	1,205,799
Investments - 'available for sale'	293,394	-	293,394
Dividend receivable	1,153	-	1,153
Profit receivable on sukuk certificates	-	3,139	3,139
<b>Total segment assets</b>	<b>1,151,180</b>	<b>352,305</b>	<b>1,503,485</b>

**Total segment liabilities include:**

Charity payable	1,063	-	1,063
Brokerage payable	733	-	733
Others	198	-	198
<b>Total segment liabilities</b>	<b>1,994</b>	<b>-</b>	<b>1,994</b>

There were no transactions between reportable segments.

The Fund's administration and management fees are not considered to be segment expenses.

A reconciliation of total net segmental income to total income is provided as follows:

	<b>2015</b>	2014
	<b>(Rupees in '000)</b>	
Total net segment income	<b>397,585</b>	413,977
Profit on saving accounts with banks and term deposit receipts	<b>39,315</b>	25,089
Other Income	<b>81,676</b>	33,833
Expenses	<b>(84,323)</b>	(65,619)
<b>Net Income for the year</b>	<b>434,253</b>	407,280

The amounts provided to the investment committee with respect to total assets are measured in a manner consistent with International Accounting Standards as applicable in Pakistan, except for investments, which are based on the quoted market prices at the close of the trading in case of listed securities and in case of unlisted securities on the basis of the values quoted by MUFAP. The Fund's other receivables and prepayments are not considered to be segment assets and are managed by the administration function.

Reportable segments' assets are reconciled to total assets as follows:

	<b>Note</b>	<b>2015</b>	2014
		<b>(Rupees in '000)</b>	
Segment assets for reportable segments		<b>2,869,146</b>	1,503,485
Balances with banks	4	<b>438,024</b>	470,857
Receivable on conversion of units		<b>198,040</b>	-
Deposits and other receivables	6	<b>14,793</b>	8,671
<b>Total assets</b>		<b>3,520,003</b>	1,983,013

The amounts provided to the investment committee with respect to liabilities are measured in a manner consistent with International Accounting Standards as applicable in Pakistan. The Fund's payables for Management fees, Trustee fee, SECP fee and other administration fees are not considered to be segment liabilities and are managed by the administration function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>Note</b>	<b>2015</b>	2014
		<b>(Rupees in '000)</b>	
Segment liabilities for reportable segments		<b>2,141</b>	1,994
Accrued expenses	10	<b>53,943</b>	29,832
Others		<b>80,459</b>	20,701
<b>Total liabilities</b>		<b>136,543</b>	52,527



## 16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AI 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 executives of the Management Company, Meezan Islamic Fund, AI Meezan Mutual Fund, KSE Meezan Index Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Financial Planning Fund of Funds, 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 AI Meezan Investment Management Limited - Employees Gratuity Fund and unitholders holding 10% or more units of the Fund's net assets.

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, NBFC Regulations and the Trust Deed.

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

	2015	2014
	(Rupees in '000)	
<b>AI Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	5,515	3,138
Sindh Sales Tax and Federal Excise Duty payable on management fee	15,433	5,863
Sales load payable	3,418	178
Sindh Sales Tax and Federal Excise Duty payable on sales load	3,667	378
Investment of 830,090 units (June 30, 2014: 5,380,968 units)	12,177	71,836
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	358	239
Deposits	300	300
<b>Meezan Bank Limited</b>		
Bank balance	84,014	28,783
Term deposit receipts	174,000	-
Investment in 1,352,300 shares (June 30, 2014: 952,300 shares)	55,443	41,177
Investment of 18,886,746 units (June 30, 2014: 18,886,746 units)	277,069	252,138
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 11,057,791 units (June 30, 2014: 11,057,791 units)	162,218	147,622
<b>AI Meezan Investment Management Limited - Employees Gratuity Fund</b>		
Investment of 400,115 units (June 30, 2014: 379,357 units)	5,870	5,064
<b>Directors and Executives of the Management Company</b>		
Investment of 2,322,530 units (June 30, 2014: 2,085,618 units)	34,072	27,843

**For the year ended  
June 30,**

**2015                  2014**  
**(Rupees in '000)**

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

Remuneration for the year	<b>50,241</b>	34,473
Sindh Sales Tax and Federal Excise Duty on management fee	<b>16,781</b>	11,769
Units issued: 32,724 (2014: nil units)	<b>638</b>	-
Units redeemed: 4,583,602 (2014: nil units)	<b>71,000</b>	-
Cash dividend for the year	<b>638</b>	6,895
Bonus units issued: nil (2014: 784,144 units)	<b>-</b>	10,343

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

Remuneration for the year	<b>3,512</b>	2,724
Charges for the year	<b>96</b>	152

**Meezan Bank Limited**

Profit on saving account	<b>3,049</b>	3,822
Profit on Term deposit receipts	<b>4,952</b>	-
Cash dividend paid during the year	<b>15,109</b>	24,202
Cash dividend income during the year	<b>3,118</b>	708
Sale of shares: nil (2014: 100,000 shares)	<b>-</b>	3,950
Purchase of 400,000 shares (2014: 673,500 shares)	<b>19,000</b>	-
Bonus units issued: nil (2014: 2,752,278 units)	<b>-</b>	36,303

**Pakistan Kuwait Investment Company (Private) Limited**

Cash dividend for the year	<b>8,846</b>	16,587
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**Al Meezan Investment Management Limited - Employees Gratuity Fund**

Units issued: 20,758 (2014: nil units)	<b>303</b>	-
Units redeemed: nil (2014: nil units)	<b>-</b>	-
Cash dividend for the year	<b>303</b>	486
Bonus units issued: nil (2014: 55,282 units)	<b>-</b>	729

**Directors and Executives of the Management Company**

Cash dividend for the year	<b>1,722</b>	277
Units issued: 388,849 (2014: 1,750,350 units)	<b>5,778</b>	25,918
Units redeemed: 151,937 (2014: 153,549 units)	<b>2,255</b>	2,142
Bonus units issued: nil (2014: 303,842 units)	<b>-</b>	4,009

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

2015				
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
(Rupees in '000)				
<b>On balance sheet - financial assets</b>				
Balances with banks	438,024	-	-	438,024
Investments	174,000	2,434,966	250,166	2,859,132
Receivables on conversion of units	198,040	-	-	198,040
Dividend receivable	3,614	-	-	3,614
Deposits and other receivables	21,193	-	-	21,193
	<b>834,871</b>	<b>2,434,966</b>	<b>250,166</b>	<b>3,520,003</b>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan Investment Management Limited-Management Company	-	-	28,033	28,033
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	358	358
Unclaimed dividend	-	-	39,713	39,713
Payable on redemption and conversion of units	-	-	10,220	10,220
Accrued expenses and other liabilities	-	-	3,167	3,167
	-	-	<b>81,491</b>	<b>81,491</b>

2014				
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
(Rupees in '000)				
<b>On balance sheet - financial assets</b>				
Balances with banks	470,857	-	-	470,857
Investments	-	1,205,799	293,394	1,499,193
Dividend receivable	1,153	-	-	1,153
Receivable against sale of investments	13	-	-	13
Deposits and other receivables	11,797	-	-	11,797
	<b>483,820</b>	<b>1,205,799</b>	<b>293,394</b>	<b>1,983,013</b>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan Investment Management Limited -Management Company	-	-	9,557	9,557
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	239	239
Unclaimed dividend	-	-	7,366	7,366
Payable on redemption and conversion of units	-	-	2,074	2,074
Accrued expenses and other liabilities	-	-	2,779	2,779
	-	-	<b>22,015</b>	<b>22,015</b>

## 18. FINANCIAL RISK MANAGEMENT

### Financial risk management objectives and policies:

The risk management policy of the Fund aims to maximise the return attributable to the 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 and interest rate risk), credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations and the directives issued by the SECP.

Risks managed and measured by the Fund are explained below:

## **18.1 Market risk**

### **18.1.1 Price risk**

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

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 5 to these financial statements. 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 index. 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 15% of net assets.

The net assets of the Fund will increase / decrease by approximately Rs 18.68 million (June 30, 2014: increase / decrease approximately Rs 11.5 million) if the prices of equity instrument vary due to increase / decrease in KMI 30 index by 1 percent 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 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 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### **18.1.2 Interest rate risk**

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

*Cash flow interest rate risk*

The company's interest rate risk arises from the balances in saving accounts, term deposit receipts and investment in debt securities. At June 30, 2015, 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 then ended would have been higher / lower by Rs. 14.22 million (2014: approximately Rs. 8.131 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.

**18.1.3 Currency risk**

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

**18.2 Credit risk**

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

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

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The credit rating wise analysis of investments in debt instruments have been tabulated as follows:

	2015 ..... (%) .....	2014
Government guaranteed	<b>35.14</b>	85.69
AA	<b>53.40</b>	-
A+	<b>11.46</b>	-
A-	-	14.31
	<b>100.00</b>	100.00

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. Further, all transactions in securities are executed through approved brokers and in case of equity, transactions settled through National Clearing Company of Pakistan (NCCPL), thus the risk of default is considered to be minimal. 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 Fund manager monitors the credit position on a daily basis which is reviewed by the Board of Directors on a quarterly basis.



Credit Rating wise analysis of balances with bank of the Fund are tabulated below:

	2015	2014
	.....(%).....	
AAA	0.19	-
AA+	66.14	5.83
AA	15.58	6.50
A1+	0.40	-
A+	0.03	-
A	17.66	87.67
	<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 maximum exposure to credit risk as at June 30, 2015 along with comparative is tabulated below:

	2015	2014
	.....(%).....	
<b>Financial assets exposed to credit risk</b>		
Balances with banks	438,024	470,857
Investments	532,825	49,957
Receivables on conversion of units	198,040	-
Dividend receivable	3,614	1,153
Receivable against sale of investments - net	-	13
Deposits and other receivables	20,966	10,527
	<b>1,193,469</b>	<b>532,507</b>

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 which amounts to Rs 507.52 million as on June 30, 2015 (2014 : Rs 289.57 million). However, no such borrowing has been obtained during the year.

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

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the Fund does not expect non-performance by these counter parties on their obligations to the Fund except for Arzoo Textiles Limited sukuk, Eden Housing Limited sukuk and Security Leasing Corporation Limited II sukuk which have been fully written off as disclosed in note 5.1.2.2 & 5.1.2.4.

### 18.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages 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 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 unitholder fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2015 along with comparative is tabulated below:

	2015				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited-Management Company	28,033	-	-	-	28,033
Payable to Central Depository Company of Pakistan Limited - Trustee	358	-	-	-	358
Payable on redemption and conversion of units	10,220	-	-	-	10,220
Unclaimed Dividend	39,713	-	-	-	39,713
Accrued expenses and other liabilities	3,167	-	-	-	3,167
	<b>81,491</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,491</b>
	2014				
	Maturity upto			More than one year	Total
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited - Management Company	9,557	-	-	-	9,557
Payable to Central Depository Company of Pakistan Limited - Trustee	239	-	-	-	239
Payable on redemption and conversion of units	2,074	-	-	-	2,074
Unclaimed Dividend	7,366	-	-	-	7,366
Accrued expenses and other liabilities	2,779	-	-	-	2,779
	<b>22,015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,015</b>

## 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 asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unitholders' Fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the 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.

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 VALUE 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.

The fair value of financial assets that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with the valuation methodology prescribed by Circular 1 of 2009 and Circular 33 of 2012 issued by SECP.

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 within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table presents the assets that are measured at fair value as at June 30, 2015:

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Assets</b>				
<b>Investments - 'at fair value through profit or loss'</b>				
<b>Financial assets held for trading</b>				
- Equity securities	1,539,664	-	-	1,539,664
- Debt securities	-	287,108	-	287,108
<b>Financial assets designated as 'at fair value through profit or loss' upon initial recognition</b>				
- Equity securities	75,369	-	-	75,369
- Debt securities	-	93,666	-	93,666
<b>Investments - 'available for sale'</b>				
- Equity securities	250,166	-	-	250,166
	<u>1,865,199</u>	<u>380,774</u>	<u>-</u>	<u>2,245,973</u>

During the year ended June 30, 2015, no transfers were made between the aforementioned levels.

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

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Assets</b>				
<b>Investments - 'fair value through profit or loss'</b>				
<b>Financial assets held for trading</b>				
- Equity securities	816,464	-	-	816,464
- Debt securities	-	299,209	-	299,209
<b>Financial assets designated at fair value through profit or loss upon initial recognition</b>				
- Equity securities	40,169	-	-	40,169
- Debt securities	-	49,957	-	49,957
<b>Investments - 'available for sale'</b>				
<b>Financial assets available for sale</b>				
- Equity securities	293,394	-	-	293,394
	<u>1,150,027</u>	<u>349,166</u>	<u>-</u>	<u>1,499,193</u>

During the year ended June 30, 2014, no transfers were made between the aforementioned levels.

## 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 ninety percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that for the purpose of determining distribution of at least 90 percent of accounting income, the income distributed through bonus units shall not be taken into accounts. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of the net accounting income other than 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, 2015 as reduced by capital gains (whether realised or unrealised) to its unitholders.

## 22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein				
		August 28, 2014	October 29, 2014	February 20, 2015	April 15, 2015	May 15, 2015
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Independent Director	Yes	Yes	Yes	No	Yes
Mr. Moin M. Fudda	Independent Director	Yes	Yes	Yes	Yes	No
Mr. Atif Azim	Independent Director	Appointed w.e.f. Dec 31, 2014		Yes	Yes	Yes
Mr. Tasnimul Haq Farooqui	Nominee Director	Yes	Yes	No	Yes	No
Mr. Mazhar Sharif	Nominee Director	No	Yes	Yes	No	Yes
Syed Amir Ali	Nominee Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Nominee Director	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed Mohammad	Nominee Director	Appointed w.e.f. Dec 31, 2014		Yes	Yes	Yes

## 23. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2015 (%)
Topline Securities Limited	14.88
Shajar Capital Pakistan (Private) Limited	13.62
Optimus Capital Management (Private) Limited	13.15
JS Global Capital Limited	11.28
Fortune Securities (Private) Limited	10.13
BMA Capital Management Limited	7.29
Foundation Securities (Private) Limited	5.77
Arif Habib Securities Limited	5.28
AKD Securities Limited	5.08
Elixir Securities Limited	3.37



Broker's Name	2014 (%)
IGI Finex Limited	15.64
BMA Capital Management Limited	13.19
Fortune Securities (Private) Limited	10.98
Optimus Capital Management (Private) Limited	7.60
Arif Habib Securities Limited	7.15
Global Capital Limited	6.59
Foundation Securities (Private) Limited	5.85
Shajar Capital Pakistan (Private) Limited	5.34
Topline Securities Limited	4.62
JS Global Capital Limited	4.51

24. PERFORMANCE TABLE	2015	2014	2013	2012	2011
Net assets (Rs '000) (ex-distribution) *	3,383,460	1,930,486	1,747,480	1,307,043	1,313,432
Net assets value per unit / certificate as at June 30 (Rs) (ex-distribution) *	14.67	13.35	14.56	10.89	10.95
<b>Distribution</b>					
-Final	-	15.00%	19.00%	17.50%	5.50%
-Interim	8.00%	22.50%	-	-	-
Dates of distribution	June 26, 2015	May 30, 2014	July 8, 2013	September 14, 2011	October 20, 2010
Distribution - Cash Dividend (Rs '000')	158,790	180,000	228,000	210,000	66,000
Distribution - Bonus Units (Rs '000')	-	279,974	-	-	-
Highest NAV per unit / certificate (Rs)	15.64	15.69	15.01	13.12	12.82
Lowest NAV per unit / certificate (Rs)	12.96	12.95	12.06	11.06	10.67
Total return	16.00%	20.00%	31.84%	16.80%	25.38%
Earnings per unit / certificate (Rs)	*	*	2.69	2.11	1.88
Average annual return as at June 30, 2015	One year 16.00%	Two years 17.98%	Three years 22.43%	Four years 21.00%	Five Years 21.86%

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

## 25. INVESTMENT COMMITTEE MEMBERS

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 Five years
2. Mr. Mohammad Asad	Chief Investment Officer	CFA level II / MBA	Nineteen years
3. Ms. Sanam Ali Zaib	Head of Research	CFA / MBA	Eleven years
4. Mr. Asif Mobin	VP Investments	MBA	Seventeen years
5. Mr. Ahmed Hassan	VP Investments	CFA / MBA	Eight Years
6. Mr. Zain Malik	AVP Investments	CFA level II / BBA	Six Years
7. Mr. Fahad Sultan	Head of Risk Management	CA / B.Com	Eight Years

The Fund manager of the Fund is Mr. Ahmed Hassan. Other Funds being managed by the Fund Manager are:

- Meezan Capital Preservation Fund - II
- Meezan Capital Preservation Fund - III

## 26. PATTERN OF UNIT HOLDING

	As at June 30, 2015		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	2292	1,952,285	57.70%
Associated companies / directors	7	487,959	14.42%
Insurance companies	3	14,674	0.43%
Banks / DFIs	3	72,050	2.13%
NBFCs	1	493	0.01%
Retirement funds	46	289,766	8.56%
Public limited companies	38	566,233	16.74%
<b>Total</b>	<b>2,390</b>	<b>3,383,460</b>	<b>100%</b>

	As at June 30, 2014		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	1134	754,866	39.10%
Associated companies / directors	5	471,976	24.45%
Insurance companies	6	25,598	1.33%
Banks / DFIs	4	84,728	4.39%
NBFCs	3	35,318	1.83%
Retirement funds	32	199,019	10.30%
Public limited companies	27	358,981	18.60%
<b>Total</b>	<b>1,211</b>	<b>1,930,486</b>	<b>100%</b>


## 27. SUBSEQUENT EVENTS

In accordance with Finance Act 2015, the Fund has discontinued provision for Workers' Welfare Fund from July 01, 2015.

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 08, 2015 by the Board of Directors of the Management Company.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Mazhar Sharif**  
Director

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

AS AT JUNE 30, 2015








UNITS HELD BY	UNITS HELD	%
<b>Associated Companies</b>		
-Meezan Bank Limited	18,886,746	8.19
-Pakistan Kuwait Investment Company (Pvt) Ltd.	11,057,792	4.79
-Al-Meezan Investment Management Ltd	830,089	0.36
- Al-Meezan Investment Management Ltd Employees Gratuity Fund	400,115	0.17
<b>Directors</b>		
-Mr. Ariful Islam	2,064,950	0.90
-Syed Amir Ali	15,353	0.01
<b>Chief Executive</b>		
- Mohammad Shoaib, CFA	15,936	0.01
<b>Executives</b>	226,291	0.10
<b>Bank &amp; Financial Institution</b>	4,912,634	2.13
<b>Individuals</b>	132,887,913	57.60
<b>Retirement funds</b>	19,757,403	8.56
<b>Other corporate sector entities</b>	31,135,388	13.50
<b>Non-Profit Organization</b>	8,506,759	3.69
<b>Total</b>	<b>230,697,369</b>	<b>100</b>



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