



SHARED INVESTMENTS, SHARED SUCCESS

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 and a voluntary pension scheme for the year ended June 30, 2015.

Income Funds

- Meezan Islamic Income Fund
- Meezan Sovereign Fund

Money Market Fund

- Meezan Cash 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.

Money Market Review

During FY 15, the SBP adopted and maintained its monetary easing stance slashing the Discount Rate (DR) by 300 bps cumulatively via four bi-monthly Monetary Policy Statements (MPS) and bringing it down to a 42 year low at 7%. In its last MPS, the Central bank also introduced a target rate whereby a ceiling rate of 6.5% and a floor rate of 5.0% have been introduced in order to inculcate better interest rate management in the economy. Inflationary trend continued towards the tail-end of FY15 with CPI for Jun 2015 clocking in at 3.16% YoY, bringing average inflation for FY15 to 4.56% compared to 8.62% last year. With the high base effect wearing off in the upcoming fiscal year, inflation might be seen to climb up slightly in the absence of further respite from oil prices in the international market and this might not provide further room for the SBP to carry out another round of key rate reduction.

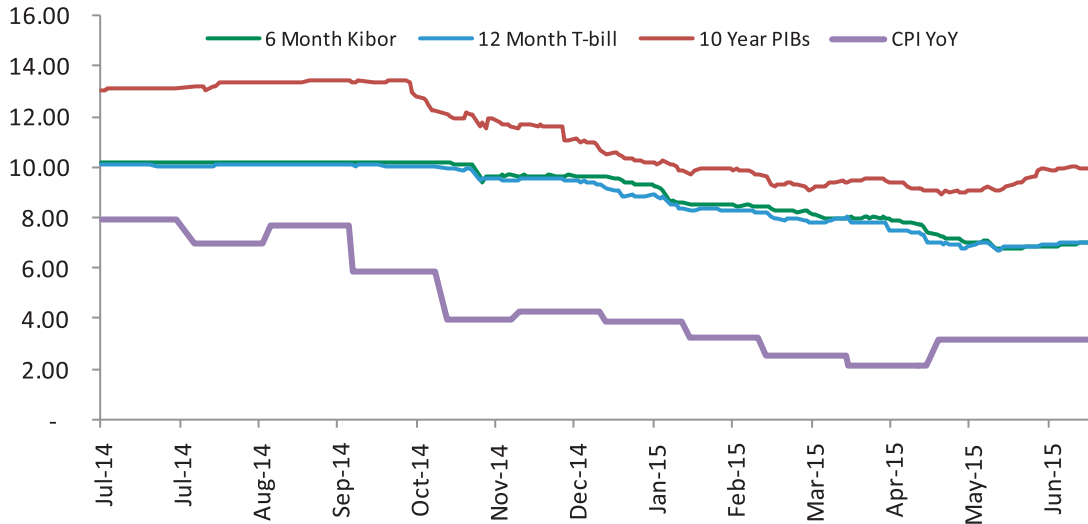
Overall, in line with the DR cuts, the interest rates and government paper yields in the secondary market have undergone a downward adjustment whereby the KIBOR has declined by 306-323bps, T-bills fell by 300-310bps while PIB yields went down by 306-430bps during the year under review. Alongside, twenty six T-bill auctions and twelve PIB auctions were conducted during this period; cumulatively Rs. 3,403 billion was accepted against a participation of Rs. 6,504 billion in T-bills and Rs. 958 billion was accepted against a participation of Rs. 2,115 billion in PIBs.

On the liquidity front, the Money Market faced a relatively tight liquidity scenario during the year, evidenced by Rs. 25,033 billion worth of OMO injections carried out by the State Bank of Pakistan (SBP) coupled with Rs. 2,685 billion worth of discounting availed by various counters in comparison to Rs. 1,123 billion worth of OMO mop-ups and floor placements amounting to Rs. 726 billion.

On the Shariah compliant end of the market, the SBP took measures to extend the maturity of various Ijarah Sukuks till November 2015 which helped the Islamic players to manage surplus liquidity during FY'15. Alongside, the introduction of an Islamic OMO facility to manage excess liquidity proved to be a lucrative tool for Islamic banks; during the period under review, SBP mopped up Rs. 180 billion worth of excess liquidity of Islamic players through this mechanism. Initially, these OMOs were considerably effective in subsiding the demand pressures on the limited Ijarah Sukuks supply in the secondary market; however, no OMO was conducted during the last quarter of FY 15 due to which the Ijarah Sukuks prices started increasing again in turn driving down the investment yields in Islamic market.

On the forex front, the country's foreign exchange reserves reached the highest-ever level of \$18.5 billion. However, the rupee slightly weakened during the second half of this fiscal year as it stayed under pressure mainly due to the strengthening dollar against other currencies. In the interbank market, it closed Rs. 2.95 lower at Rs. 101.80/\$ while in the open market, it also closed R. 3.55 lower at Rs. 102.90/\$.

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



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.

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 - Fixed Income Funds

| Name of Fund | Type | Net Assets June 30, 2015 (Rs. millions) | Growth in Net Assets for FY15 | Return for FY15 | Benchmark Return FY15 |
|-----------------------------------|-----------------------|---|-------------------------------|-----------------|-----------------------|
| Meezan Islamic Income Fund (MIIF) | Open-End Income | 4,263 | -13% | 8.15% | 5.04% |
| Meezan Cash Fund (MCF) | Open-End Money Market | 7,618 | 150% | 7.46% | 6.24% |
| Meezan Sovereign Fund (MSF) | Open-End Income Fund | 8,657 | -57% | 6.81% | 6.24% |
| Total | | 20,537 | | | |

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 Al 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 Al 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

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

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

- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the 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 Income Fund

| Trades By | Designation | No. of units invested | No. of units redeemed |
|---------------------------|--------------------|------------------------------|------------------------------|
| Mr. Ariful Islam | Chairman | Nil | 283,960 |
| Mr. Mohammad Shoaib, CFA | CEO | Nil | 2,550,801 |
| Mr. Tasnimul Haq Farooqui | Director | Nil | 230 |
| Syed Amir Ali | Director | 91,586 | 45,804 |
| Syed Amir Ali Zaidi | Director | 18,314 | Nil |
| Syed Owais Wasti | CFO | 1,906 | Nil |

Meezan Cash Fund

| Trades By | Designation | No. of units invested | No. of units redeemed |
|---------------------------|--------------------|------------------------------|------------------------------|
| Mr. Mohammad Shoaib, CFA | CEO | 101 | Nil |
| Mr. Mazhar Sharif | Director | 260 | 2,202 |
| Mr. Tasnimul Haq Farooqui | Director | 740 | Nil |

Meezan Sovereign Fund


| Trades By | Designation | No. of units invested | No. of units redeemed |
|---------------------------|--------------------|------------------------------|------------------------------|
| Mr. Ariful Islam | Chairman | Nil | 210,986 |
| Mr. Mohammad Shoaib, CFA | CEO | Nil | 194,187 |
| Mr. Mazhar Sharif | Director | 102,267 | 413,324 |
| Mr. Tasnimul Haq Farooqui | Director | 14,242 | 95,370 |
| Syed Amir Ali | Director | Nil | 112,645 |
| Syed Owais Wasti | CFO | Nil | 10,418 |

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 income fund
ميزان



MEEZAN ISLAMIC INCOME FUND

Meezan Islamic Income Fund endeavours to earn a high and stable rate of current income for investors, which is consistent with long term capital preservation in a Shariah compliant way. It also strives to take advantage of opportunities to realize capital appreciation.

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

REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2015

Meezan Islamic Income Fund (MIIF) is Pakistan's first and the largest Shariah Compliant open end mutual fund which falls under the category of Income Funds.

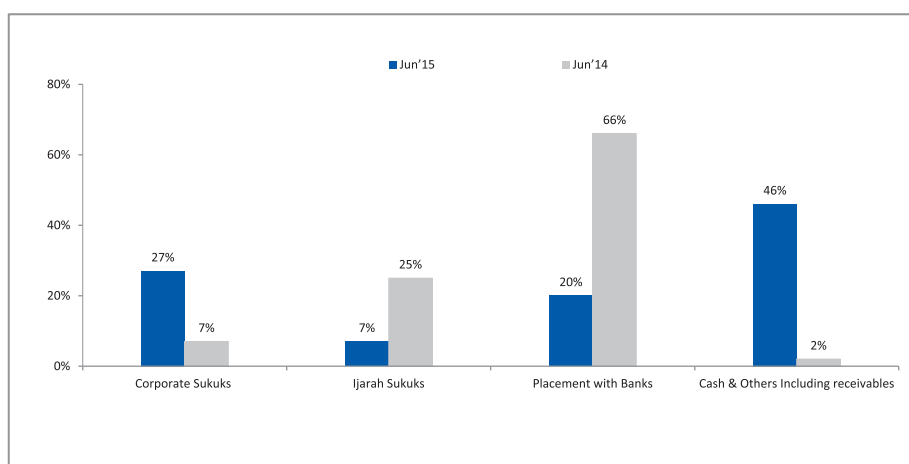
The Fund's primary objective is to provide investors with a competitive and stable rate of current income in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide the investors with a rate of total return consistent with a broadly diversified portfolio of long, medium and short term high quality Islamic Income instruments.

Strategy, Investment policy and asset allocation

MIIF invests in Corporate and Sovereign Sukuks (Islamic Bonds), Musharaka and Murabaha instruments, Shariah Compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits, and other Islamic Income products.

During the year, the focus was on proactive and continuous reallocation between high yield instruments, so as to maximize fund yield, while maintaining a balance within the risk management constraints. In this connection, funds maturing from corporate Sukuks were deployed in government Ijarah Sukuks or reinvested in similar corporate Sukuks of high credit quality. Term Deposits were also placed in order to lock in higher rates in a declining interest rate market. To manage interest rate risk and meet liquidity objectives, the fund manager during the period has kept the duration below six months.

Sector Allocation as on June 30, 2014 and 2015



Performance Review

During the fiscal year 2015, Meezan Islamic Income Fund (MIIF) provided a full year return of 8.15% as compared to its benchmark return of 5.04%. A rescheduled non-performing holding in the fund, Security Leasing Company Limited, defaulted again during this fiscal year and requested the lenders' consortium for a settlement against company assets; the matter is currently under negotiation with the company but it is pertinent to note that the exposure was already fully provided for. As at year end, the fund was invested 27% in Islamic Corporate Sukuks, 7% in GoP Ijarah Sukuks, 20% in Islamic Bank Placements and 44% in Islamic Bank Deposits.

The Fund earned a gross income of Rs. 638 million, which was primarily due to profit on Sukuks certificates amounting worth Rs. 236 million. Profit on saving accounts at Islamic banks including profit on term deposit receipts contributed Rs. 354 million, while realized gain on sale of Sukuks certificates was Rs. 24 million. On the other side, the fund incurred unrealized appreciation worth Rs. 22 million in addition to a reversal of provision of Rs. 0.17 million incurred in the Sukuks of Security Leasing Corporation Limited-II. The fund also incurred expenses totalling to Rs. 146 million and element of loss and capital losses included in prices of units issued and less those in units redeemed of Rs. 171 million, which brought the net income figure to Rs. 321 million. The net assets of the Fund as at June 30, 2015 were Rs. 4,263 million as compared to Rs. 4,918 million at the end of last year. The net asset value per unit as at June 30, 2015 was Rs. 54.25 (cum dividend) as compared to Rs.50.17 per unit as on June 30, 2014.

| | MIF | Islamic Bank Deposits |
|-------------------------------------|------------|------------------------------|
| Net Asset Value as on June 30, 2014 | 50.165 | |
| Net Asset Value as on June 30, 2015 | 54.252 | |
| Return for the year | 8.15% | 5.04% |
| Outperformance | 3.11% | |

Fund Rating

JCR-VIS Credit Rating Company has assigned Stability Rating of A (f) to Meezan Islamic Income Fund.

Distributions

The Board of Directors of Al Meezan Investments in its meeting held on July 3, 2015 has approved a final cash dividend of 6.80% (Rs. 3.40 per unit) for the year ended June 30, 2015. Total distribution made by the Fund was Rs. 267.17 million.

Breakdown of unit holdings by size:

(As on June 30, 2015)

| Range (Units) | Number of investors |
|----------------------|----------------------------|
| 1 - 9,999 | 1,419 |
| 10,000 - 49,999 | 449 |
| 50,000 - 99,999 | 87 |
| 100,000 - 499,999 | 56 |
| 500,000 and above | 22 |
| Total | 2,033 |



Meezan Bank
The Premier Islamic Bank

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

July 31, 2015/Shawwal 14, 1436

Alhamdulillah, the period from July 01, 2014 to June 30, 2015 was the ninth year of operations of Meezan Islamic Income Fund (MIIF) under management of Al Meezan Investment Management Limited (AMIM). We Meezan Bank Limited are the *Shari'ah* Advisors of the Fund and are issuing the report in accordance with clause 7.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MIIF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MIIF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MIIF for the year ended June 30, 2015 have been in compliance with *Shari'ah* principles.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

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

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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

**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 INCOME 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 Income 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 Income 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.

**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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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 Islamic Income 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 |
|--|------|--------------------------|-------------------|
| Assets | | | |
| Balances with banks | 4 | 2,559,304 | 3,298,683 |
| Investments | 5 | 3,209,537 | 1,616,111 |
| Deposits, prepayments and other receivables | 6 | 96,081 | 70,975 |
| Total assets | | 5,864,922 | 4,985,769 |
| Liabilities | | | |
| Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company | 7 | 35,897 | 15,890 |
| Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee | 8 | 472 | 399 |
| Payable to Securities and Exchange Commission of Pakistan (SECP) | 9 | 4,761 | 2,701 |
| Payable to Meezan Bank Limited (MBL) | | 350 | 112 |
| Payable on redemption and conversion of units | | 1,509,505 | 7,139 |
| Dividend payable | | - | 983 |
| Accrued expenses and other liabilities | 10 | 50,937 | 40,190 |
| Total liabilities | | 1,601,922 | 67,414 |
| Net assets | | 4,263,000 | 4,918,355 |
| Contingencies and commitments | 11 | | |
| Unitholders' fund (as per statement attached) | | 4,263,000 | 4,918,355 |
| (Number of units) | | | |
| Number of units in issue | 13 | 78,577,810 | 98,043,044 |
| (Rupees) | | | |
| Net assets value per unit | | 54.25 | 50.17 |

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**

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

| | Note | 2015 (Rupees in '000) | 2014 |
|---|---------------|--------------------------|-----------------|
| Income | | | |
| Profit on saving accounts with banks | | 296,271 | 213,716 |
| Profit on term deposit receipts | | 57,423 | - |
| Profit on sukuk certificates | | 235,956 | 175,582 |
| Realised gain on sale of sukuk certificates | | 23,717 | 184,698 |
| Other income | | 1,812 | 15,014 |
| | | 615,179 | 589,010 |
| Unrealised appreciation / (diminution) on re-measurement of investments at fair value through profit or loss (net) | 5.1.1 & 5.1.3 | 22,291 | (60,890) |
| Reversal / (provision) against sukuk certificates (net) | 5.1.10 | 169 | (18,289) |
| | | 22,460 | (79,179) |
| Total income | | 637,639 | 509,831 |
| Expenses | | | |
| Remuneration to Al Meezan Investment Management Limited - Management Company | 7.1 | 95,226 | 54,024 |
| Sindh Sales Tax and Federal Excise Duty on Management Fee | 7.2 & 7.3 | 31,826 | 18,488 |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee | 8 | 6,044 | 3,901 |
| Annual fee to Securities and Exchange Commission of Pakistan | 9 | 4,761 | 2,701 |
| Auditors' remuneration | 14 | 504 | 494 |
| Fees and subscription | | 296 | 66 |
| Amortisation of premium on 'available for sale' investments | | - | 18 |
| Brokerage | | 373 | 53 |
| Bank and settlement charges | | 111 | 117 |
| Provision for Workers' Welfare Fund (WWF) | 12 | 6,556 | 9,904 |
| Printing expense | | - | 113 |
| Total Expenses | | 145,697 | 89,879 |
| Net income from operating activities | | 491,942 | 419,952 |
| Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed (net) | | (170,726) | 65,356 |
| Net income for the year before taxation | | 321,216 | 485,308 |
| Taxation | 20 | - | - |
| Net income for the year after taxation | | 321,216 | 485,308 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 321,216 | 485,308 |

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

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 (Rupees in '000) | 2014 |
|---|--------------------------|-----------|
| Undistributed income / accumulated (loss) brought forward | | |
| - Realised | 88,966 | 181,397 |
| - Unrealised | (79,179) | 15,680 |
| | 9,787 | 197,077 |
| Final distribution for the year ended June 30, 2014 | | |
| - bonus units: nil (June 30, 2013 @ 7.50% i.e. Rs. 3.75 per unit) | - | (178,637) |
| - cash dividend: nil (June 30, 2013 @ 7.50% i.e. Rs. 3.75 per unit) | - | (5,187) |
| Interim distribution for the period ended December 31, 2014 | | |
| - bonus units: nil (December 31, 2013 @ 4.00% i.e. Rs. 2.00 per unit) | - | (110,267) |
| - cash dividend: nil (December 31, 2013 @ 4.00% i.e. Rs. 2.00 per unit) | - | (2,775) |
| Interim distribution for the period ended March 31, 2015 | | |
| - bonus units: nil (March 31, 2014 @ 3.00% i.e. Rs. 1.50 per unit) | - | (163,360) |
| - cash dividend: nil (March 31, 2014 @ 3.00% i.e. Rs. 1.50 per unit) | - | (1,493) |
| Interim distribution for the period ended May 31, 2015 | | |
| - bonus units: nil (May 31, 2014 @ 2.56% i.e. Rs. 1.28 per unit) | - | (113,586) |
| - cash dividend: nil (May 31, 2014 @ 2.56% i.e. Rs. 1.28 per unit) | - | (1,274) |
| Interim distribution for the period ended June 30, 2015 | | |
| - bonus units: nil (June 30, 2014 @ 2.00% i.e. Rs. 1.00 per unit) | - | (95,023) |
| - cash dividend: nil (June 30, 2014 @ 2.00% i.e. Rs. 1.00 per unit) | - | (996) |
| Total distribution | - | (672,598) |
| Net income for the year | 321,216 | 485,308 |
| Undistributed income carried forward | 331,003 | 9,787 |
| Undistributed income / accumulated (loss) carried forward | | |
| - Realised | 308,543 | 88,966 |
| - Unrealised | 22,460 | (79,179) |
| | 331,003 | 9,787 |

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 | 4,918,355 | 2,644,680 |
| Issue of 198,617,727 units (June 30, 2014: 118,363,762 units) | 10,364,960 | 6,066,389 |
| Redemption of 218,082,961 units (June 30, 2014: 82,486,464 units) | (11,512,257) | (4,200,941) |
| | (1,147,297) | 1,865,448 |
| Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed (net) | 170,726 | (65,356) |
| Bonus units for the year ended June 30, 2015: nil (2014: 13,145,868 bonus units) | - | 660,873 |
| Net realised gain on sale of sukuk certificates | 23,717 | 184,698 |
| Unrealised appreciation / (diminution) in value of investments (net) | 22,460 | (79,179) |
| Other net income for the year | 275,039 | 379,789 |
| Total comprehensive income for the year | 321,216 | 485,308 |
| Final distribution for the year ended June 30, 2014 | | |
| - bonus units: nil (June 30, 2013: 3,558,522 units) | - | (178,637) |
| - cash dividend: nil (June 30, 2013 @ 7.50% i.e. Rs. 3.75 per unit) | - | (5,187) |
| Interim distribution for the period ended December 31, 2014 | | |
| - bonus units: nil (December 31, 2013: 2,180,921 units) | - | (110,267) |
| - cash dividend: nil (December 31, 2013 @ 4.00% i.e. Rs. 2.00 per unit) | - | (2,775) |
| Distribution for the period ended March 31, 2015 | | |
| - bonus units: nil (March 31, 2014: 3,238,055 units) | - | (163,360) |
| - cash dividend: nil (March 31, 2014 @ 3.00% i.e. Rs 1.50 per unit) | - | (1,493) |
| Distribution for the period ended May 31, 2015 | | |
| - bonus units: nil (May 31, 2014: 2,271,713 units) | - | (113,586) |
| - cash dividend: nil (May 31, 2014: @ 2.56% i.e. Rs 1.28 per unit) | - | (1,274) |
| Distribution for the period ended June 30, 2015 | | |
| - bonus units: nil (June 30, 2014: 1,896,657 units) | - | (95,023) |
| - cash dividend: nil (June 30, 2014 @ 2.00% i.e. Rs 1.00 per unit) | - | (996) |
| Total distribution | - | (672,598) |
| Net income for the year less distribution | 321,216 | (187,290) |
| Net assets at end of the year | 4,263,000 | 4,918,355 |
| | (Rupees) | |
| Net asset value per unit as at beginning of the year | 50.17 | 53.95 |
| Net asset value per unit as at end of the year | 54.25 | 50.17 |

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 |
|---|---------------|--------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year | | 321,216 | 485,308 |
| Adjustments for | | | |
| Unrealised (appreciation) / diminution on re-measurement of investments at fair value through profit or loss (net) | 5.1.1 & 5.1.3 | (22,291) | 60,890 |
| (Reversal) / provision against sukuk certificates (net) | 5.1.10 | (169) | 18,289 |
| Amortisation of premium on 'available for sale' investments | | - | 18 |
| Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed (net) | | 170,726 | (65,356) |
| | | 469,482 | 499,149 |
| Increase in assets | | | |
| Investments (net) | | (1,570,966) | (192,383) |
| Deposits, prepayments and other receivables | | (25,106) | (20,379) |
| | | (1,596,072) | (212,762) |
| Increase in liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | | 20,007 | 8,113 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 73 | 157 |
| Payable to Securities and Exchange Commission of Pakistan | | 2,060 | 1,415 |
| Payable to Meezan Bank Limited | | 238 | 15 |
| Accrued expenses and other liabilities | | 10,747 | 9,841 |
| | | 33,125 | 19,541 |
| Net cash (used in) / generated from operating activities | | (1,093,465) | 305,928 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipts against issuance of units | | 10,364,960 | 6,066,389 |
| Payments against redemption of units | | (10,009,891) | (4,221,351) |
| Dividend paid | | (983) | (10,742) |
| Net cash generated from financing activities | | 354,086 | 1,834,296 |
| Net (decrease) / increase in cash and cash equivalents during the year | | (739,379) | 2,140,224 |
| Cash and cash equivalents at beginning of the year | | 3,298,683 | 1,158,459 |
| Cash and cash equivalents at end of the year | 4 | 2,559,304 | 3,298,683 |

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 Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) notified through S.R.O. 1203 (I) / 2008 on November 21, 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 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 capitalize on exceptional returns if available at any given point of time. 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 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) Income Scheme in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP).
- 1.4** The Fund has been given a stability rating of A-(f) by JCR - VIS Credit Rating Company Limited. 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 in the name of CDC as the 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 (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 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' 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 are rounded to the nearest thousand rupees.

2.4 Critical accounting estimates and judgements

The preparation of Financial Statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Classification and valuation of financial instruments including discretionary discounts (notes 3.1 and 5)
- (b) Impairment of financial instruments (note 3.1.6 and 5)
- (c) Recognition of provision for Workers' Welfare Fund (note 12)
- (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 adoption of this standard is 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 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 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 in (a) or (b) above.

3.1.2 Regular way contract

All purchase and sale 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 the asset.

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

The fair value of financial instruments is determined as follows:

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 (PKIRSV rates) which are based on the remaining tenor of the securities.

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 Mutual Fund Association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Security and Exchange Commission of Pakistan (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 aforementioned circulars 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 above mentioned 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 provision is also made in accordance with the said circulars and subsequent clarifications.

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.

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

3.1.7 Derecognition

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

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

3.1.8 Offsetting of financial instruments

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

3.2 Unitholders' fund

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

3.3 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net 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 distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application during business hours on that date. The redemption price represents the net assets value per unit as on 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 unitholders' fund 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 unrealized 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 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.

3.7.1 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, 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 Income Statement currently and are recognised when the transaction takes place.
- (ii) Profit on bank deposits is recognised on time proportion basis using effective yield method.
- (iii) Income on sukuk certificates, placements and government securities is recognised on time proportion basis using the effective yield except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by SECP for which the profits are recorded on cash basis.

3.9 Expenses

All expenses, including Management fee, Trustee fee and Securities and Exchange Commission of Pakistan's 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 saving accounts | 4.1 | 2,554,137 | 3,293,438 |
| On current accounts | | 5,167 | 5,245 |
| | | 2,559,304 | 3,298,683 |

4.1 The balance in saving accounts have an expected profit ranging from 3.79% to 7.00% per annum (2014: 3.72% to 9.20% per annum).

5. INVESTMENTS

| | Note | 2015 (Rupees in '000) | 2014 |
|---|-------|--------------------------|------------------|
| Investments - 'at fair value through profit or loss' | 5.1 | 2,030,537 | 1,616,111 |
| Investments - 'loans and receivables' | 5.2 | 1,179,000 | - |
| | | 3,209,537 | 1,616,111 |
| 5.1 Investments at fair value through profit or loss | | | |
| - Held for trading | 5.1.1 | 420,186 | 1,249,006 |
| - Investments at fair value through profit or loss upon initial recognition | 5.1.3 | 1,610,351 | 367,105 |
| | | 2,030,537 | 1,616,111 |

5.1.1 Held for trading - Sukuk certificates

| Name of the security | Maturity date | Profit rate | As at July 01, 2014 | Purchases during the year | Sales / maturity 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) | Percentage of market value of investments |
|--|-------------------|-----------------------------------|--------------------------------------|---------------------------|----------------------------------|------------------------------|------------------------------------|----------------------------------|--------------------------|---|
| | | | ----- (Number of certificates) ----- | | | ----- (Rupees in '000) ----- | | | ----- % ----- | |
| GoP Ijarah Sukuk Certificates - IX (note 5.1.2 & 5.1.2.1) | November 21, 2015 | Weighted average 6 months T-Bills | 1,700 | 9,070 | 7,600 | 3,170 | 317,859 | 319,536 | 1,677 | 9.96 |
| GoP Ijarah Sukuk Certificates - XII (note 5.1.2 & 5.1.2.1) | November 21, 2015 | Weighted average 6 months T-Bills | 1,000 | - | - | 1,000 | 102,830 | 100,650 | (2,180) | 3.14 |
| GoP Ijarah Sukuk Certificates - XI (note 5.1.2 & 5.1.2.1) | November 21, 2015 | Weighted average 6 months T-Bills | - | 3,900 | 3,900 | - | - | - | - | - |
| GoP Ijarah Sukuk Certificates - XV (note 5.1.2) | June 25, 2017 | Weighted average 6 months T-Bills | 9,740 | - | 9,740 | - | - | - | - | - |
| Grand Total | | | | | | | 420,689 | 420,186 | (503) | |
| Total cost of investments | | | | | | | | | | 417,219 |

5.1.2 The nominal value of these sukuk certificates is Rs 100,000 each.

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

5.1.3 Investments at fair value through profit or loss upon initial recognition - Sukuk certificates

| Name of the security | Maturity date | Profit rate | As at July 01, 2014 | Purchases during the year | Sales / redemptions 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) | Percentage of market value of investments |
|--|--------------------|---|--------------------------------------|---------------------------|-------------------------------------|------------------------------|-------------------------------------|-----------------------------------|--------------------------|---|
| | | | ----- (Number of certificates) ----- | | | ----- (Rupees in '000) ----- | | | ----- % ----- | |
| Arzoo Textile Mills Limited (note 5.1.4 & 5.1.9) * | April 15, 2014 | 6 months Kibor plus base rate of 2% | 14,000 | - | - | 14,000 | - | - | - | - |
| Eden Housing Limited (note 5.1.5, 5.1.7 & 5.1.9) * | September 29, 2014 | 6 months Kibor plus base rate of 2.5% Nil | 59,400 | - | - | 59,400 | - | - | - | - |
| Security Leasing Corporation Limited II (note 5.1.4, 5.1.8 & 5.1.9) * | January 19, 2022 | | 3,115 | - | 34 | 3,081 | - | - | - | - |
| Maple Leaf Cement Factory Limited (note 5.1.4 & 5.1.6) (A-, PACRA) | December 3, 2018 | 3 months Kibor plus base rate of 1.70% | 51,064 | - | 23,600 | 27,464 | 102,058 | 109,714 | 7,656 | 3.42 |
| Engro Fertilizer Limited (note 5.1.4) (A+, PACRA, non-traded) | September 1, 2015 | 6 months Kibor plus base rate of 1.5% | 35,500 | - | 17,750 | 17,750 | 88,674 | 88,620 | (54) | 2.76 |
| Engro Fertilizer Limited (note 5.1.4) (A+, PACRA, non-traded) | July 9, 2019 | 6 months Kibor plus base rate of 1.75% | - | 84,875 | 2,000 | 82,875 | 415,265 | 429,396 | 14,131 | 13.38 |
| K-Electric Limited (sukuk 2) (note 5.1.4) (AA, JCR-VIS, non-traded) | March 19, 2017 | 3 months Kibor plus base rate of 2.25% | - | 35,600 | - | 35,600 | 181,560 | 182,621 | 1,061 | 5.69 |
| K-Electric Limited (sukuk 4) (note 5.1.4 & 5.1.4.1) (AA+, JCR-VIS, non-traded) | June 17, 2022 | 3 months Kibor plus base rate of 1.00% | - | 160,000 | - | 160,000 | 800,000 | 800,000 | - | 24.93 |
| K-Electric Limited (sukuk 1) (note 5.1.4) (AA, JCR-VIS, non-traded) | April 19, 2015 | 1 months Kibor plus base rate of 1.00% | - | 14,500 | 14,500 | - | - | - | - | - |
| Lalpir Power Limited CP Sukuk (note 5.1.4) | February 18, 2015 | 6 months Kibor plus base rate of 0.30% | - | 53,400 | 53,400 | - | - | - | - | - |
| Grand Total | | | | | | | 1,587,557 | 1,610,351 | 22,794 | |
| Total cost of investments | | | | | | | | | | 1,742,470 |

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

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

5.1.4.1 The security is carried at cost since market value is not available.

5.1.5 The nominal value of the sukuk certificates of Eden Housing Limited is Rs 984.375 each.

5.1.6 The sukuk of Maple Leaf Cement Factory Limited (MLCF) have been regular on its payments as per the restructuring agreement and meet all conditions of Circular 33 of 2012 for reclassification. Consequently, MUFAP has reclassified MLCF Sukuk to performing asset and assigned it a value of Rs. 84.0211 after applying a discretionary discount of 500 bps.

During the year, the issue's rating has improved from "BBB" to "A-" on account of pre-payments made by the company. However, amongst growing concerns of strategic expansions by key players of cement sector and given the industry's dynamics, the risk of decartelization is still probable which could lead to a price war, and hence, is still a major risk for the company and its profitability. Side by side, the company's prepayment record is about to be put to test as well since 50% of the sukuk has now been repaid which was the minimum threshold.

In the light of above and as allowed in Circular 33 of 2012, management has applied additional 200 bps discretionary discount which brought down the price of MLCF Sukuk to Rs. 79.8963.

5.1.7 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 58.472 million has also been held as provision against the outstanding principal as at June 30, 2015.

5.1.8 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 15.403 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. 0.17 million to the fund.

5.1.9 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 Islamic Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at June 30, 2015, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires the rating of any security in the portfolio shall not be lower than the investment grade.

Following investments of the Fund are in the sukuk which are below 'investment grade' securities:

| Name of Non-Compliant Investment | Type of investments | Value of investment before provision | Provision held (if any) | Value of investment after provision | Percentage of net assets | Percentage of total assets |
|---|-------------------------------|--------------------------------------|-------------------------|-------------------------------------|--------------------------|----------------------------|
| | | ----- (Rupees in '000) ----- | | | ----- % ----- | |
| Arzoo Textile Mills Limited | Non-traded sukuk certificates | 70,000 | 70,000 | - | - | - |
| Eden Housing Limited | Non-traded sukuk certificates | 58,472 | 58,472 | - | - | - |
| Security Leasing Corporation Limited II | Non-traded sukuk certificates | 15,403 | 15,403 | - | - | - |
| | | 143,875 | 143,875 | - | | |

| | Note | 2015 (Rupees in '000) | 2014 |
|---|-------|--------------------------|---------|
| 5.1.10 Provision on sukuk certificates (netted off against investment) | | | |
| Opening | | 144,044 | 125,755 |
| (Reversal) / provision for the year - net | 5.1.8 | (169) | 18,289 |
| Closing | | 143,875 | 144,044 |
| 5.2 Investments - loans and receivables | | | |
| Term deposit receipts - having original maturity of more than 3 months | 5.2.1 | 1,179,000 | - |

| Name of the bank | Maturity date | Profit rate | As at July 01, 2014 | Term deposit receipts made during the year | Matured during the year | As at June 30, 2015 | Percentage of market value of investments |
|----------------------------------|-------------------|---------------|------------------------------|--|-------------------------|---------------------|---|
| | | ----- % ----- | ----- (Rupees in '000) ----- | | | | ----- % ----- |
| UBL Ameen | January 8, 2015 | 9.00 | - | 350,000 | 350,000 | - | - |
| BankIslami Pakistan Limited | December 29, 2015 | 7.50 | - | 1,174,000 | 595,000 | 579,000 | 18.04 |
| Albaraka Bank (Pakistan) Limited | June 22, 2016 | 8.35 | - | 600,000 | - | 600,000 | 18.69 |
| | | | - | 2,124,000 | 945,000 | 1,179,000 | |

| | Note | 2015 (Rupees in '000) | 2014 |
|---|-----------|--------------------------|--------|
| 6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Security deposits | | 2,603 | 2,603 |
| Prepayments | | 417 | 367 |
| Profit receivable on saving accounts with banks and Term Deposit Receipts | | 64,062 | 59,154 |
| Profit receivable on sukuk certificates | | 28,999 | 8,851 |
| | | 96,081 | 70,975 |
| 7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company | | | |
| Management fee | 7.1 | 7,314 | 5,801 |
| Sindh Sales Tax and Federal Excise Duty on management fee | 7.2 & 7.3 | 27,339 | 9,648 |
| Sales load | | 408 | 277 |
| Sindh Sales Tax and Federal Excise Duty on sales load | 7.2 & 7.3 | 835 | 163 |
| Certificate charges | | 1 | 1 |
| | | 35,897 | 15,890 |

- 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 year 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 1.5 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 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 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. 23.50 million (June 30, 2014: Rs. 7.70 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. 0.30 per unit (2014: Rs. 0.08 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 assets value of the Fund. The tariff structure is as follows:

| Net assets | Tariff |
|------------------------|---|
| Up to 1 billion | 0.17% p.a. of net assets subject to a minimum of Rs. 0.6 million |
| 1 billion to 5 billion | Rs. 1.7 million plus 0.085% p.a. of net assets exceeding Rs 1 billion |
| Over 5 billion | Rs. 5.1 million plus 0.07% p.a. of net assets exceeding Rs 5 billion |

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

This represents annual fee payable to the SECP. Fee at the rate of 0.075 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 |
|-------------------------------------|------|--------------------------|---------------|
| Workers' Welfare Fund (WWF) payable | 12 | 45,462 | 38,906 |
| Withholding tax payable | | 4,820 | 424 |
| Auditors' remuneration | | 375 | 375 |
| Printing expenses payable | | 120 | 258 |
| Brokerage payable | | 44 | 44 |
| Zakat payable | | 28 | 95 |
| Other payable | | 88 | 88 |
| | | 50,937 | 40,190 |

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and 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, 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 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 amounting to Rs. 45.462 million which includes Rs. 6.556 million pertaining to the current year and Rs. 38.906 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.58 (1.07%).

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

2015 2014
(Number of units)

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

| | | |
|---|----------------------|--------------|
| Total units in issue at beginning of the year | 98,043,044 | 49,019,878 |
| Units issued during the year | 198,617,727 | 118,363,762 |
| Bonus units issued during the year | - | 13,145,868 |
| Units redeemed during the year | (218,082,961) | (82,486,464) |
| Total units in issue at end of the year | 78,577,810 | 98,043,044 |

13.2 The Fund may issue following classes of units:

| Class | Description |
|----------------|---|
| A - Restricted | Units that shall be charged with no sales load (note 13.2.1). |
| 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 contingent back-end load. |

13.2.1 Class A (Restricted) units were issued as initial subscription in the form of seed capital which was received by the Fund during the period December 13, 2006 to December 15, 2006 with the restriction that these units are not redeemable or transferable for a period of two years from the date of such subscription.

13.2.2 According to the supplemental offering document dated March 17, 2008, 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 dividend in case of any distribution by the Fund.

| | 2015 | 2014 |
|-----------------------------------|------------------|------------|
| | (Rupees in '000) | |
| 14. AUDITORS' REMUNERATION | | |
| Statutory audit fee | 275 | 275 |
| Half yearly review fee | 120 | 120 |
| Other certification fee | 100 | 90 |
| Out of pocket expenses | 9 | 9 |
| | 504 | 494 |

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, Al Meezan Mutual Fund, KSE Meezan Index 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 unit holders 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 Regulations and the Trust Deed.

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

2015 2014
(Rupees in '000)

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

| | | |
|--|---------|---------|
| Remuneration payable | 7,314 | 5,801 |
| Sales load payable | 408 | 277 |
| Certificate charges payable | 1 | 1 |
| Sindh Sales Tax and Federal Excise Duty on management fee | 27,339 | 9,648 |
| Sindh Sales Tax and Federal Excise Duty on sales load | 835 | 163 |
| Investments as at June 30, 2015: 9,721,722 units (June 30, 2014: 16,183,639 units) | 527,403 | 811,933 |

Meezan Bank Limited

| | | |
|--------------------------------------|--------|--------|
| Sales load payable | 350 | 112 |
| Balances with bank | 41,621 | 63,581 |
| Profit receivable on saving accounts | 118 | 336 |

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

| | | |
|---------------------|-----|-----|
| Trustee fee payable | 472 | 399 |
| Security deposit | 100 | 100 |

Meezan Capital Preservation Fund - III

| | | |
|--|-----|---------|
| Investments as at June 30, 2015: 1,991 units (June 30, 2014: 18,713,377 units) | 108 | 938,850 |
|--|-----|---------|

Meezan Capital Preservation Fund - II

| | | |
|---|--------|---|
| Investments as at June 30, 2015: 1,053,621 units (June 30, 2014: nil) | 57,159 | - |
|---|--------|---|

**Al Meezan Investment Management Limited
- Employees Gratuity Fund**

| | | |
|---|-------|-------|
| Investments as at June 30, 2015: 38,330 units (June 30, 2014: 38,330 units) | 2,079 | 1,923 |
|---|-------|-------|

Directors and executives of the Management Company

| | | |
|---|--------|---------|
| Investments as at June 30, 2015: 1,236,744 units (June 30, 2014: 4,092,708 units) | 67,093 | 205,331 |
|---|--------|---------|

Unitholders holding 10% or more units of the Fund

| | | |
|--|---------|---|
| Investments as at June 30, 2015: 13,709,348 units (June 30, 2014: nil) | 743,732 | - |
|--|---------|---|

For the year ended
June 30,

2015 2014
(Rupees in '000)

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

Remuneration for the year
Sindh Sales Tax & Federal Excise Duty on Management
Fee for the year
Units issued: 6,453,043 units (2014: 10,693,809 units)
Redemptions: 12,914,960 units (2014: 597,967 units)
Bonus units issued: nil (2014: 1,739,877 units)

| | |
|---------|---------|
| 95,226 | 54,024 |
| 31,826 | 18,488 |
| 340,000 | 551,000 |
| 676,759 | 30,000 |
| - | 87,424 |

Meezan Bank Limited

Profit on saving accounts

| | |
|-------|--------|
| 3,285 | 31,845 |
|-------|--------|

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the year
CDS Charges for the year

| | |
|-------|-------|
| 6,044 | 3,901 |
| 17 | 6 |

Meezan Capital Preservation Fund - III

Units issued: 38,131,599 units (2014: 37,463,033 unit)
Redemptions: 56,842,985 unit (2014: 20,582,148 unit)
Bonus units issued: nil (2014: 1,832,492 units)

| | |
|-----------|-----------|
| 2,000,404 | 1,927,000 |
| 2,995,790 | 1,043,292 |
| - | 92,050 |

Meezan Capital Preservation Fund - II

Units issued: 64,949,085 units (2014: nil)
Redemptions: 63,895,464 unit (2014: nil)

| | |
|-----------|---|
| 3,346,361 | - |
| 3,345,254 | - |

**Al Meezan Investment Management Limited
- Employees Gratuity Fund**

Bonus units issued: nil (2014: 6,479 units)

| | |
|---|-----|
| - | 326 |
|---|-----|

Directors and executives of the Management Company

Units issued: 247,508 units (2014: 3,127,818 units)
Redemptions: 3,103,472 units (2014: 466,159 units)
Bonus units issued: nil (2014: 380,547 units)

| | |
|---------|---------|
| 13,124 | 160,645 |
| 161,949 | 24,015 |
| - | 19,122 |

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) | | | | | |
| On balance sheet - financial assets | | | | | |
| Balances with banks | 2,559,304 | - | - | - | 2,559,304 |
| Investments | 1,179,000 | 2,030,537 | - | - | 3,209,537 |
| Deposits and other receivables | 95,664 | - | - | - | 95,664 |
| | 3,833,968 | 2,030,537 | - | - | 5,864,505 |
| On balance sheet - financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | - | - | 35,897 | 35,897 |
| Payable to Central Depository Company of Pakistan - Trustee | - | - | - | 472 | 472 |
| Payable to Meezan Bank Limited | - | - | - | 350 | 350 |
| Payable on redemption and conversion of units | - | - | - | 1,509,505 | 1,509,505 |
| Accrued expenses and other liabilities | - | - | - | 627 | 627 |
| | - | - | - | 1,546,851 | 1,546,851 |

| | 2014 | | | | Total |
|---|-----------------------|---|--|--|------------------|
| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Financial assets categorised as 'available for sale' | Financial liabilities measured at amortised cost | |
| (Rupees in '000) | | | | | |
| On balance sheet - financial assets | | | | | |
| Balances with banks | 3,298,683 | - | - | - | 3,298,683 |
| Investments | - | 1,616,111 | - | - | 1,616,111 |
| Deposits and other receivables | 70,608 | - | - | - | 70,608 |
| | 3,369,291 | 1,616,111 | - | - | 4,985,402 |
| On balance sheet - financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | - | - | 15,890 | 15,890 |
| Payable to Central Depository Company of Pakistan - Trustee | - | - | - | 399 | 399 |
| Payable to Meezan Bank Limited | - | - | - | 112 | 112 |
| Payable on redemption and conversion of units | - | - | - | 7,139 | 7,139 |
| Dividend payable | - | - | - | 983 | 983 |
| Accrued expenses and other liabilities | - | - | - | 765 | 765 |
| | - | - | - | 25,288 | 25,288 |

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 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 SECP.

Risks managed and measured by the Fund are explained below:

17.1 Market risk

17.1.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of a change in market price (other than Currency risk or Interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. The Fund is not exposed to price risk as at June 30, 2015.

17.1.2 Interest Rate Risk

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

Cash Flow interest rate risk

The company's interest rate risk arises from the balances in saving accounts and investment in debt securities. At June 30, 2015, if there had been increase / decrease of 100 basis points in interest rates or in rates announced by Financial Market Association, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 57.637 million (2014: approximately Rs 49.095 million) mainly as a result of finance income.

Fair value interest rate risk

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

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2015 is not necessary indicative of the effect on the Fund's net asset due to future movements in interest rates.

17.1.3 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.

17.2 Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely 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 investment in debt securities, profit receivable on debt securities and receivable against sale of investments.

Credit risk arising on the debt instruments other than government securities 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 Fund receives a monthly rating update, against which investments are reviewed. The Fund, however, also invests in unrated instruments based on internal ratings assigned by

the Fund manager using an approach that is consistent with the approach used by the rating agencies. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. 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 manager monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

The maximum exposure to credit risk as at June 30, 2015 along with comparative is tabulated below:

| | 2015 | 2014 |
|--------------------------------|-------------------------|-----------|
| | (Rupees in '000) | |
| Financial assets | | |
| Balances with banks | 2,559,304 | 3,298,683 |
| Investments | 2,789,351 | 367,105 |
| Deposits and other receivables | 95,664 | 70,608 |
| | 5,444,319 | 3,736,396 |

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

| | 2015 | 2014 |
|-----|---------------------|--------|
| | (Percentage) | |
| AAA | 3.22 | 0.10 |
| AA+ | 0.49 | 0.86 |
| AA | 1.68 | 1.99 |
| A+ | 0.03 | - |
| A | 94.58 | 97.05 |
| | 100.00 | 100.00 |

The credit rating wise analysis of investments in debt instruments have been tabulated below:

| | | |
|-----------------------|---------------|--------|
| Government guaranteed | 13.09 | 77.29 |
| AA+ | 24.93 | - |
| AA | 5.69 | - |
| A+ | 16.14 | - |
| A- | 3.42 | 10.97 |
| A | 36.73 | - |
| BBB | - | 11.74 |
| | 100.00 | 100.00 |

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 Fund does not have any collateral against any of the aforementioned assets. The issuer of the Sukuks, however, pledge securities with the investment agent in Trust for the benefit of the Sukuk Holder.

Due to the Fund's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Fund except for Arzoo Textiles Limited Sukuk, Security Leasing Corporation Sukuk, Maple Leaf Cement Factory Limited Sukuk and Eden Housing Limited Sukuk (refer note 5).

17.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholders' redemptions at any time. 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. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's asset in highly liquid financial assets.

In accordance with the regulation 58(1)(k) of the NBFC Regulations, 2008 the Fund has the ability to borrow funds for meeting redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen percent of its 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 request to next dealing day, had such requests exceeded 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 accordance with the risk management policy of the Fund, the Fund's Investment Committee reviews the liquidity position on a daily basis, which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

In addition to Unitholders' Fund, analysis of the 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 | 35,897 | - | - | - | 35,897 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 472 | - | - | - | 472 |
| Payable to Meezan Bank Limited | 350 | - | - | - | 350 |
| Payable on redemption and conversion of units | 1,509,505 | - | - | - | 1,509,505 |
| Accrued expenses and other liabilities | 627 | - | - | - | 627 |
| | 1,546,851 | - | - | - | 1,546,851 |

| | 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 | 15,890 | - | - | - | 15,890 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 399 | - | - | - | 399 |
| Payable to Meezan Bank Limited | 112 | - | - | - | 112 |
| Payable on redemption and conversion of units | 7,139 | - | - | - | 7,139 |
| Dividend payable | 983 | - | - | - | 983 |
| Accrued expenses and other liabilities | 765 | - | - | - | 765 |
| | <u>25,288</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,288</u> |

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

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's objectives 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 has no restrictions on the subscription and redemption of units.

The Fund meets the requirement of sub-regulation 54(3a) of the NBFC regulations 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.

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 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.

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, 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 market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (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 |
|--|------------------|------------------|----------|------------------|
| Assets | (Rupees in '000) | | | |
| Financial assets held for trading | | | | |
| - Debt securities | - | 420,186 | - | 420,186 |
| Financial assets designated 'at fair value through profit or loss upon initial recognition' | | | | |
| - Debt securities | - | 810,351 | - | 810,351 |
| | <u>-</u> | <u>1,230,537</u> | <u>-</u> | <u>1,230,537</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 |
|--|------------------|------------------|----------|------------------|
| Assets | (Rupees in '000) | | | |
| Financial assets held for trading | | | | |
| - Debt securities | - | 1,249,006 | - | 1,249,006 |
| Financial assets designated 'at fair value through profit or loss upon initial recognition' | | | | |
| - Debt securities | - | 367,105 | - | 367,105 |
| | <u>-</u> | <u>1,616,111</u> | <u>-</u> | <u>1,616,111</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 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 | 2011 |
|--|---------------------|-------------------|-------------------|------------------|--------------------|
| Net assets (Rs '000) (ex-distribution) | 3,995,835 | 4,918,355 | 2,639,493 | 1,202,676 | 2,515,823 |
| Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution) | 50.85 | 50.17 | 50.20 | 49.93 | 50.06 |
| Offer price per unit as at June 30 (Rs) (ex-distribution) | 51.19 | 50.51 | 50.49 | 50.22 | 50.31 |
| Distribution (%) | | | | | |
| - Interim | | | | | |
| - First quarter | - | - | - | - | 3.00 |
| - Second quarter | - | 4.00 | 6.00 | - | 2.00 |
| - Third quarter | - | 3.00 | - | 4.00 | 3.50 |
| - Fourth quarter (i) | - | 2.56 | - | - | 2.00 |
| - Fourth quarter (ii) | - | 2.00 | - | - | - |
| - Annual | 6.80 | - | 7.50 | 3.94 | 2.00 |
| Dates of distribution (interim) | | | | | |
| - First quarter | - | - | - | - | September 30, 2010 |
| - Second quarter | - | December 24, 2013 | December 31, 2012 | - | December 31, 2010 |
| - Third quarter | - | March 24, 2014 | - | March 31, 2012 | March 29, 2011 |
| - Fourth quarter (i) | - | May 30, 2014 | - | - | May 24, 2011 |
| - Fourth quarter (ii) | - | June 24, 2014 | - | - | - |
| Dates of distribution (annual) | July 3, 2015 | - | July 8, 2013 | July 9, 2012 | July 7, 2011 |
| Income distribution (Rupees in '000) | 267,165 | - | 5,187 | 19,076 | 156,584 |
| Growth distribution (Rupees in '000) | - | - | 178,638 | 76,072 | 189,039 |
| Highest offer price per unit (Rs) | 54.61 | 54.55 | 54.22 | 52.41 | 52.61 |
| Lowest offer price per unit (Rs) | 50.62 | 50.35 | 50.16 | 50.00 | 50.34 |
| Highest redemption price per unit (Rs) | 54.25 | 54.19 | 53.95 | 52.11 | 52.35 |
| Lowest redemption price per unit (Rs) | 50.28 | 50.01 | 49.91 | 49.71 | 50.09 |
| Total return (%) | 8.15 | 11.90 | 14.45 | 7.81 | 11.78 |
| Weighted Average Portfolio Duration (years) | 2.82 | 2.57 | 2.05 | 2.94 | 2.63 |
| | One year | Two year | Three year | Four year | Five year |
| Average annual return (%) as at June 30, 2015 | 8.15% | 10.01% | 11.47% | 10.54% | 10.79% |

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.

22. INVESTMENT COMMITTEE MEMBERS

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

| Name | Designation | Qualification | Experience |
|---------------------|--------------------------|--------------------|-------------------|
| 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 |

22.2 The Fund manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund
- Meezan Sovereign Fund

23. BROKERAGE COMMISSION BY PERCENTAGE

| Name of the brokers | 2015 | 2014 |
|---------------------------------------|---------------|---------------|
| | (Percentage) | |
| Invest Capital Management Limited | 42.77 | 67.49 |
| JS Global Capital Limited | 57.23 | 27.63 |
| Invest and Finance Securities Limited | - | 4.88 |
| | 100.00 | 100.00 |

24. PATTERN OF UNIT HOLDING

| | As at June 30, 2015 | | |
|----------------------------------|-----------------------|---------------------------------------|--|
| | Number of unitholders | Investment amount (Rupees in '000) | Percentage of total investment (Percentage) |
| Individuals | 1,957 | 1,785,053 | 41.87 |
| Associated companies / directors | 7 | 651,348 | 15.28 |
| Banks / DFIs | 1 | 9 | 0.00 |
| Retirement funds | 45 | 711,109 | 16.68 |
| Private limited companies | 7 | 68,481 | 1.60 |
| Others | 16 | 1,047,000 | 24.57 |
| Total | 2,033 | 4,263,000 | 100.00 |

| | As at June 30, 2014 | | |
|----------------------------------|-----------------------|---------------------------------------|--|
| | Number of unitholders | Investment amount (Rupees in '000) | Percentage of total investment (Percentage) |
| Individuals | 1,693 | 1,495,956 | 30.42 |
| Associated companies / directors | 8 | 1,951,256 | 39.67 |
| Insurance companies | 1 | 16,892 | 0.34 |
| Banks / DFIs | 2 | 48,815 | 0.99 |
| Retirement funds | 44 | 729,023 | 14.82 |
| Public limited companies | 1 | 203,765 | 4.14 |
| Others | 22 | 472,648 | 9.62 |
| Total | 1,771 | 4,918,355 | 100.00 |

25. 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 |


26. SUBSEQUENT EVENTS

- 26.1** The Board of Directors in its meeting held on July 3, 2015 has announced a final cash dividend of 6.80% (Rs. 3.40 per unit) amounting to Rs. 267.165 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 | % |
|---|-------------------|---------------|
| Associated Companies | | |
| Al Meezan Investment Management Limited | 9,721,722 | 12.37 |
| Meezan Capital Preservation Fund - III | 1,991 | 0.00 |
| Meezan Capital Preservation Fund - II | 1,053,621 | 1.34 |
| Al Meezan Investment Management Limited - Employees Gratuity Fund | 38,330 | 0.05 |
| Directors | | |
| Mr. Ariful Islam | 1,079,108 | 1.37 |
| Syed Amir Ali | 91,586 | 0.12 |
| Syed Amir Ali Zaidi | 19,620 | 0.02 |
| Executives | 46,430 | 0.06 |
| Banks and financial institutions | 158 | 0.00 |
| Individuals | 32,856,594 | 41.81 |
| Retirements funds | 13,107,529 | 16.68 |
| Private limited companies | 1,262,277 | 1.61 |
| Other corporate sector entities | 19,298,844 | 24.57 |
| Total | 78,577,810 | 100.00 |



meezan
sovereign fund
میزان



MEEZAN SOVEREIGN FUND

Meezan Sovereign Fund aspires to seek maximum possible preservation of capital and a reasonable rate of return.

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan.
Phone: (9221) 35630722-6, 111-MEEZAN
Fax: (9221) 35676143, 35630808
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

| | |
|---|---|
| Askari Bank Limited - Islamic Banking | MCB Bank Limited - Islamic Banking |
| Bank Alfalah Limited - Islamic Banking | Meezan Bank Limited |
| Bank Al Habib Limited - Islamic Banking | National Bank of Pakistan - Islamic Banking |
| Faysal Bank Limited - Islamic Banking | UBL Ameen |
| Habib Metropolitan Bank Limited - Islamic Banking | |
| Habib Bank Limited - Islamic Banking | |

LEGAL ADVISER

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

TRANSFER AGENT

Meezan Bank Limited
Meezan House
C-25, Estate Avenue, SITE, Karachi.
Phone: 38103538 Fax: 36406017
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 Sovereign Fund (MSF) is Pakistan's first and the largest Shariah Compliant open end mutual fund which falls under the category of Income Funds.

The Fund's primary objective is to provide investors with a low risk and stable rate of current income by primarily investing in Shariah Compliant Sovereign Securities.

Investment Policy

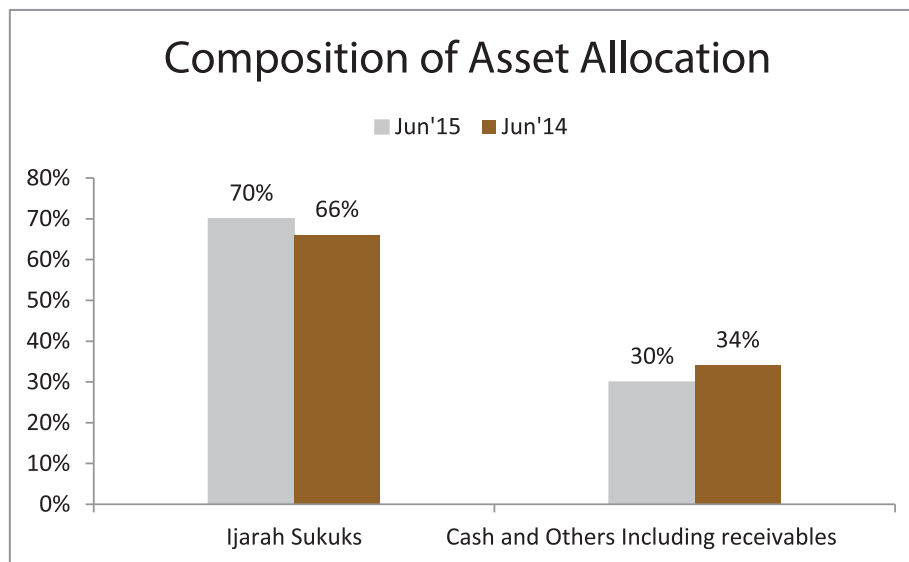
Meezan Sovereign Fund, an open end income fund, was launched in February 2010 with the investment policy stating that at least 70% of the net assets of the fund shall be invested in Shariah compliant fixed income government securities while at least 10% of the fund size has to be maintained in cash. The remaining allocation can be in other permissible Islamic investment avenues.

Strategy Implementation - Strategic and tactical Asset Allocation

The instruments in which MSF invests are Sovereign Sukuks (Islamic Bonds), Musharaka and Murabaha instruments; Certificate of Islamic Investments, Islamic bank deposits and other Sovereign Islamic income products.

Sector Allocation for the year ended FY14 and FY15

The asset allocation of the fund on June 30, 2014 and June 30, 2015 is as follows:



Performance Review

Meezan Sovereign Fund (MSF) provided a return of 6.81% to its investors for the year ended June 30, 2015 against a benchmark return of 6.24%.

During the year, the Fund earned a gross income of Rs. 1097 million, which was primarily due to profit on Sukuks certificates amounting worth Rs. 906 million. Profit on saving accounts at Islamic banks contributed Rs. 326 million. On the other side, the fund incurred realized and unrealized loss worth Rs. 87 million and 48 million respectively.

The fund also incurred expenses totalling to Rs. 217 million and element of loss and capital losses included in prices of units issued and less those in units redeemed of Rs. 321 million, which brought the net income figure to Rs. 559 million. The net assets of the Fund as at June 30, 2015 were Rs. 8,657 million as compared to Rs. 20,281 million at the end of last year. The net asset value per unit as at June 30, 2015 was Rs. 53.92 (cum dividend) as compared to Rs.50.48 per unit as on June 30, 2014.

| | MSF | Six Month deposits at Islamic Banks |
|-------------------------------------|------------|--|
| Net Asset Value as on June 30, 2014 | 50.48 | |
| Net Asset Value as on June 30, 2015 | 53.92 | |
| Return for the year | 6.81% | 6.24% |
| Outperformance | 0.57% | |

Distributions

The Board of Directors of Al Meezan Investments in its meeting held on July 3, 2015 has approved a final cash dividend of 6.90% (Rs. 3.45 per unit) for the year ended June 30, 2015. Total distribution made by the fund was Rs. 553.89 million.

Fund Stability Rating

JCR-VIS Credit Rating Company has assigned Stability Rating of AA to Meezan Sovereign Fund.

Unit holder Break down:

(As on June 30, 2015)

| Range (Units) | Number of investors |
|----------------------|--------------------------------|
| 1 - 9,999 | 2,839 |
| 10,000 - 49,999 | 1,207 |
| 50,000 - 99,999 | 169 |
| 100,000 - 499,999 | 96 |
| 500,000 and above | 15 |
| Total | 4,326 |



Meezan Bank

The Premier Islamic Bank

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

July 31, 2015/Shawwal 14, 1436

Alhamdulillah, the period from July 01, 2014 to June 30, 2015 was the sixth year of operations of Meezan Sovereign Fund (MSF) under management of Al Meezan Investment Management Limited (Al Meezan). We Meezan Bank Limited are the *Shari'ah* Advisor of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MSF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSF for the year ended June 30, 2015 have been in compliance with *Shari'ah* principles.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

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

Page 1 of 1

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN SOVEREIGN 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 Sovereign 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.

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 Unit holders of Meezan Sovereign 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 Sovereign 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.



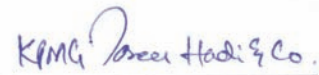
KPMG Taseer Hadi & Co.

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 |
|--|------|--------------------------|--------------------|
| Assets | | | |
| Balances with banks | 4 | 3,234,525 | 6,690,140 |
| Investments | 5 | 8,275,796 | 13,724,316 |
| Receivable on conversion of units | | 79,483 | - |
| Deposits, prepayments and other receivables | 6 | 192,846 | 285,931 |
| Preliminary expenses and floatation costs | 7 | - | 312 |
| Total assets | | 11,782,650 | 20,700,699 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company | 8 | 71,521 | 54,698 |
| Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee | 9 | 807 | 1,225 |
| Payable to Securities and Exchange Commission of Pakistan (SECP) | 10 | 10,213 | 15,287 |
| Payable to Meezan Bank Limited (MBL) | | 499 | 270 |
| Payable on redemption and conversion of units | | 2,901,599 | 225,016 |
| Accrued expenses and other liabilities | 11 | 141,310 | 123,518 |
| Total liabilities | | 3,125,949 | 420,014 |
| Net assets | | 8,656,701 | 20,280,685 |
| Contingencies and commitments | 12 | | |
| Unitholders' fund (as per statement attached) | | 8,656,701 | 20,280,685 |
| (Number of units) | | | |
| Number of units in issue | 14 | 160,548,092 | 401,746,086 |
| (Rupees) | | | |
| Net assets value per unit | | 53.92 | 50.48 |

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 |
|--|-----------|--------------------------|-----------|
| Income | | | |
| Profit on saving accounts with banks | | 326,193 | 511,075 |
| Profit on sukuk certificates | | 906,248 | 1,322,945 |
| Net realised loss on sale of sukuk certificates | | (87,259) | (562) |
| | | 1,145,182 | 1,833,458 |
| Unrealised (loss) / gain on re-measurement of investments 'at fair value through profit or loss' (net) | 5.1 | (47,805) | 147,842 |
| Total income | | 1,097,377 | 1,981,300 |
| Expenses | | | |
| Remuneration to AI Meezan Investment Management Limited - Management Company | 8.1 | 136,167 | 203,823 |
| Sindh Sales Tax and Federal Excise Duty on management fee | 8.2 & 8.3 | 45,552 | 69,594 |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee | 9 | 10,420 | 14,480 |
| Annual fee to Securities and Exchange Commission of Pakistan | 10 | 10,213 | 15,287 |
| Auditors' remuneration | 15 | 410 | 518 |
| Fees and subscription | | 260 | 249 |
| Amortisation of premium on investments held as 'available for sale' | | - | 2,999 |
| Amortisation of preliminary expenses and floatation costs | 7 | 312 | 512 |
| Brokerage | | 787 | 1,407 |
| Bank and settlement charges | | 226 | 183 |
| Provision for Workers' Welfare Fund (WWF) | 13 | 11,417 | 33,271 |
| Printing expenses | | 742 | 1,139 |
| Total expenses | | 216,506 | 343,462 |
| Net income from operating activities | | 880,871 | 1,637,838 |
| Element of loss and capital losses included less those in units redeemed (net) | | (321,449) | (7,565) |
| Net income for the year before taxation | | 559,422 | 1,630,273 |
| Taxation | 21 | - | - |
| Net income for the year after taxation | | 559,422 | 1,630,273 |
| Other comprehensive income for the year | | | |
| Items that can be reclassified to income statement in subsequent periods | | | |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale' | 5.2.3 | (20,861) | 27,840 |
| Total comprehensive income for the year | | 538,561 | 1,658,113 |

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 | 15,835 | 410,650 |
| - Unrealised | 147,842 | (1,919) |
| | 163,677 | 408,731 |
| Less: Distributions during the year | | |
| Less: Final distribution for the year ended June 30, 2014 | | |
| - bonus units: nil (June 30, 2013 @ 2.06 % Rs.1.03 per unit) | - | (396,261) |
| - cash dividend: nil (June 30, 2013 @ 2.06 % Rs.1.03 per unit) | - | (181) |
| Less: Interim distribution for the period ended September 30, 2014 | | |
| - bonus units: nil (September 23, 2013 @ 1.80 % Rs.0.90 per unit) | - | (348,279) |
| - cash dividend: nil (September 23, 2013 @ 1.80 % Rs.0.90 per unit) | - | (152) |
| Less: Interim distribution for the period ended December 31, 2014 | | |
| - bonus units: nil (December 24, 2013 @ 1.68 % Rs.0.84 per unit) | - | (322,143) |
| - cash dividend: nil (December 24, 2013 @ 1.68 % Rs.0.84 per unit) | - | (80) |
| Less: Interim distribution for the period ended March 31, 2015 | | |
| - bonus units: nil (March 24, 2014 @ 1.80 % Rs.0.90 per unit) | - | (373,709) |
| - cash dividend: nil (March 24, 2014 @ 1.80 % Rs.0.90 per unit) | - | (100) |
| Less: Interim distribution for the period ended May 31, 2015 | | |
| - bonus units: nil (May 29, 2014 @ 2.10 % Rs.1.05 per unit) | - | (434,791) |
| - cash dividend: nil (May 29, 2014 @ 2.10 % Rs.1.05 per unit) | - | (73) |
| Total distribution | - | (1,875,769) |
| Net income for the year | 559,422 | 1,630,273 |
| Element of income and capital gain included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments | 13,067 | 442 |
| Undistributed income carried forward | 736,166 | 163,677 |
| Undistributed income carried forward | | |
| - Realised | 783,971 | 15,835 |
| - Unrealised | (47,805) | 147,842 |
| | 736,166 | 163,677 |

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 | 20,280,685 | 19,654,233 |
| Issue of 408,566,767 units (2014: 542,570,659 units) | 21,372,597 | 27,562,097 |
| Redemption of 649,764,761 units (2014: 563,035,844 units) | (33,856,591) | (28,600,737) |
| | (12,483,994) | (1,038,640) |
| Element of loss and capital losses included in prices of units sold less those in units redeemed - net | 321,449 | 7,565 |
| Issue of bonus units: nil units (2014: 37,325,012 bonus units) | - | 1,875,183 |
| Net realised loss on sale of sukuk certificates | (87,259) | (562) |
| Unrealised (diminution) / appreciation in the value of investments (net) | (68,666) | 175,682 |
| Other net income for the year | 694,486 | 1,482,993 |
| Total other comprehensive income for the year | 538,561 | 1,658,113 |
| Final distribution for the year ended June 30, 2014 | | |
| - bonus units: nil (June 30, 2013: 7,918,887 units) | - | (396,261) |
| - cash dividend: nil (June 30, 2013 @ 2.06% i.e. Rs. 1.03 per units) | - | (181) |
| Interim distribution for the period ended September 30, 2014 | | |
| - bonus units: nil (September 30, 2013: 6,960,017 units) | - | (348,279) |
| - cash dividend: nil (September 23, 2013 @ 1.80% i.e. Rs. 0.90 per units) | - | (152) |
| Interim distribution for the period ended December 31, 2014 | | |
| - bonus units: nil (December 24, 2013: 6,408,258 units) | - | (322,143) |
| - cash dividend: nil (December 24, 2013 @ 1.68% Rs. 0.84 per units) | - | (80) |
| Interim distribution for the period ended March 31, 2015 | | |
| - bonus units: nil (March 24, 2014: 7,387,017 units) | - | (373,709) |
| - cash dividend: nil (March 24, 2014 @ 1.80% Rs. 0.90 per units) | - | (100) |
| Interim distribution for the period ended May 31, 2015 | | |
| - bonus units: nil (May 29, 2014: 8,650,833 units) | - | (434,791) |
| - cash dividend: nil (May 29, 2014 @ 2.10% Rs. 1.05 per units) | - | (73) |
| Total distribution | - | (1,875,769) |
| Net income for the year less distribution | 538,561 | (217,656) |
| Net assets at end of the year | 8,656,701 | 20,280,685 |
| | (Rupees) | |
| Net assets value per unit at beginning of the year | 50.48 | 51.07 |
| Net assets value per unit at end of the year | 53.92 | 50.48 |

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 |
|--|------|--------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year | | 559,422 | 1,630,273 |
| Adjustments for : | | | |
| Unrealised loss / (gain) on re-measurement of investments 'at fair value through profit or loss' (net) | 5.1 | 47,805 | (147,842) |
| Amortisation of preliminary expenses and floatation costs | 7 | 312 | 512 |
| Amortisation of premium on investments held as 'available for sale' | | - | (2,999) |
| Element of loss and capital losses included in prices of units sold less those in units redeemed (net) | | 321,449 | 7,565 |
| | | 928,988 | 1,487,509 |
| Decrease / (increase) in assets | | | |
| Investments (net) | | 5,379,854 | 852,696 |
| Deposits, prepayments and other receivables | | 93,085 | 4,872 |
| | | 5,472,939 | 857,568 |
| Increase / (decrease) in liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | | 16,823 | 31,552 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | (418) | 59 |
| Payable to Securities and Exchange Commission of Pakistan | | (5,074) | 567 |
| Payable to Meezan Bank Limited | | 229 | (37) |
| Accrued expenses and other liabilities | | 17,792 | 30,015 |
| | | 29,352 | 62,156 |
| Net cash generated from operating activities | | 6,431,279 | 2,407,233 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipts against issuance of units | | 21,293,114 | 27,562,097 |
| Payments against redemption of units | | (31,180,008) | (28,538,385) |
| Dividend paid | | - | (586) |
| Net cash used in from financing activities | | (9,886,894) | (976,874) |
| Net increase in cash and cash equivalents during the year | | (3,455,615) | 1,430,359 |
| Cash and cash equivalents at beginning of the year | | 6,690,140 | 5,259,781 |
| Cash and cash equivalents at end of the year | 4 | 3,234,525 | 6,690,140 |

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 Sovereign Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) 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 has been formed to provide the unitholders maximum possible preservation of capital along with Halal and reasonable returns by investing primarily in a portfolio of Shariah compliant government securities. Thus, minimising the credit risk of investments. The Fund shall also keep an exposure in short-term near cash instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. 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 Shariah Compliant (Islamic) Income Scheme, listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Management Company of the Fund has been given quality rating of AM2+ and the stability rating of the Fund is AA(f) given 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 are 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 requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, 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 judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Classification and valuation of financial instruments (note 3.1 & 5)
- (b) Impairment of financial instruments (note 3.1.6 and 5)
- (c) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7)
- (d) Recognition of provision for Workers' Welfare Fund (note 13)
- (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 amendments will not 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 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 as available for sale or are not classified in any of the other categories mentioned in (a) or (b) 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 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 their fair value. Gains or losses arising from changes in the fair value of the financial assets at 'fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to 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 and provisions

The fair value of financial instruments is determined as follows:

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 (PKIRSV rates) which are based on the remaining tenor of the securities.

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 Mutual Fund Association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Security and Exchange Commission of Pakistan (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 aforementioned circulars 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 above mentioned 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 provision is also made in accordance with the said circulars and subsequent clarifications.

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.

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

3.1.7 Derecognition

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

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

3.1.8 Offsetting of financial instruments

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

3.2 Unitholders' fund

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

3.3 Issuance and redemption of units

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

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

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the unitholder's funds in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.5 Provisions

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

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to bankers to the issue, brokerage paid to members of the stock exchange and other expenses. These costs are being amortised over a period of five years commencing from February 10, 2010 in accordance with the requirements of the Trust Deed \ of the Fund and NBFC regulations.

3.7 Net assets value per unit

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

3.8 Taxation

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 of the second schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 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, 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 Income Statement currently and are recognised on the date at which the transaction takes place.
- (ii) Profit on bank deposit is recognised on time proportion basis using effective yield method.
- (iii) Income on sukuk certificates, placements and Government securities is recognised on a time proportionate basis using effective yield method.

3.10 Expenses

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

3.11 Earnings per unit

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

3.12 Cash and cash equivalents

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

3.13 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 saving accounts | 4.1 | 3,218,428 | 6,679,679 |
| On current accounts | | 16,097 | 10,461 |
| | | 3,234,525 | 6,690,140 |

4.1 The balances in saving accounts have an expected profit ranging from 4.00% to 9.27% per annum (2014: 5.00% to 8.25% per annum).

| 5. INVESTMENTS | Note | 2015 (Rupees in '000) | 2014 |
|--|------|--------------------------|-------------------|
| Investments - 'at fair value through profit or loss' | 5.1 | 6,891,142 | 12,040,264 |
| Investments - 'available for sale' | 5.2 | 1,384,654 | 1,684,052 |
| | | 8,275,796 | 13,724,316 |

5.1 Investments - 'At Fair Value Through Profit & Loss' - Sukuk Certificates

| Name of the security | Maturity date | Profit rate | As at July 01, 2014 | Purchases during the period | Sales / maturity during the period | As at June 30, 2015 | Carrying value as at June 30, 2015 | Market value as at June 30, 2015 | Unrealised loss | Percentage in relation to | |
|--|-------------------|-----------------------------------|--------------------------------------|-----------------------------|------------------------------------|------------------------------|------------------------------------|----------------------------------|-----------------|---|-----------------------------------|
| | | | | | | | | | | Net assets of the fund on the basis of market value | Total market value of investments |
| | | | (Number of certificates) | | | (Rupees in '000) | | | | | |
| GoP Ijarah Sukuk Certificates - IX (note 5.2.1 & 5.2.2) | November 21, 2015 | Weighted average 6 months T-Bills | 46,450 | 1,350 | 18,030 | 29,770 | 3,014,303 | 3,000,816 | (13,487) | 34.66 | 36.26 |
| GoP Ijarah Sukuk Certificates - X (note 5.2.1 & 5.2.2) | November 21, 2015 | Weighted average 6 months T-Bills | 35,530 | 5,380 | 22,880 | 18,030 | 1,831,862 | 1,818,326 | (13,536) | 21.00 | 21.97 |
| GoP Ijarah Sukuk Certificates - XII (note 5.2.1 & 5.2.2) | November 21, 2015 | Weighted average 6 months T-Bills | 17,604 | 12,065 | 10,000 | 19,669 | 1,998,753 | 1,979,685 | (19,068) | 22.87 | 23.92 |
| GoP Ijarah Sukuk Certificates - XIII (note 5.2.1) | November 21, 2015 | Weighted average 6 months T-Bills | 1,000 | - | 250 | 750 | 77,212 | 75,510 | (1,702) | 0.87 | 0.91 |
| GoP Ijarah Sukuk Certificates - XIV (note 5.2.1) | March 28, 2016 | Weighted average 6 months T-Bills | - | 3,067 | 2,900 | 167 | 16,817 | 16,805 | (12) | 0.19 | 0.20 |
| GoP Ijarah Sukuk Certificates - XV (note 5.2.1) | June 25, 2017 | Weighted average 6 months T-Bills | 18,000 | 6,350 | 24,350 | - | - | - | - | - | - |
| Total cost of investments | | | | | | | 6,938,947 | 6,891,142 | (47,805) | | |
| | | | | | | | 6,938,947 | | | | |

5.2 Investments - 'Available for Sale' - Sukuk Certificates

| Name of the security | Maturity date | Profit rate | As at July 01, 2014 | Purchases during the period | Sales during the period | As at June 30, 2015 | Carrying value as at June 30, 2015 | Market value as at June 30, 2015 | Unrealised gain | Percentage in relation to | | |
|---|-------------------|-----------------------------------|--------------------------------------|-----------------------------|-------------------------|------------------------------|------------------------------------|----------------------------------|-----------------|---|-----------------------------------|--|
| | | | (Number of certificates) | | | (Rupees in '000) | | | | Net assets of the fund on the basis of market value | Total market value of investments | |
| GoP Ijarah Sukuk Certificates - X (note 5.2.1 & 5.2.2) | November 21, 2015 | Weighted average 6 months T-Bills | 13,500 | - | - | 13,500 | 1,354,630 | 1,361,475 | 6,845 | 15.73 | 16.45 | |
| GoP Ijarah Sukuk Certificates - XI (note 5.2.1 & 5.2.2) | November 21, 2015 | Weighted average 6 months T-Bills | 3,010 | - | 2,780 | 230 | 23,045 | 23,179 | 134 | 0.27 | 0.28 | |
| | | | | | | | 1,377,675 | 1,384,654 | 6,979 | | | |
| Total cost of investments | | | | | | | | | | 1,377,674 | | |

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

5.2.2 On December 12, 2014, the GoP extended the maturity of these sukuk to November 21, 2015 through a resolution passed in the Extra Ordinary General Meeting of Sukuk holders held on November 10, 2014.

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

| Note | 2015 (Rupees in '000) | 2014 |
|--|--------------------------|-----------|
| Market value of investment | 1,384,654 | 1,684,052 |
| Less: Cost of investments | 1,377,675 | 1,656,212 |
| | 6,979 | 27,840 |
| Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year | 27,840 | - |
| | (20,861) | 27,840 |

6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | |
|---|----------------|---------|
| Security deposit | 100 | 100 |
| Prepayments | 98 | 93 |
| Profit receivable on saving accounts with banks | 98,821 | 105,515 |
| Profit receivable on sukuk certificates | 93,433 | 180,223 |
| Others | 394 | - |
| | 192,846 | 285,931 |

7. PRELIMINARY EXPENSES AND FLOATATION COSTS

| | | | |
|---------------------------------|-----|--------------|-------|
| Opening balance | 7.1 | 312 | 824 |
| Less: Amortised during the year | | (312) | (512) |
| Closing balance | | - | 312 |

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 commencing from the end of the initial offering period in accordance with the Trust Deed of the Fund.

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

| | Note | 2015 (Rupees in '000) | 2014 |
|---|-----------|--------------------------|--------|
| Management fee | 8.1 | 10,333 | 17,298 |
| Sindh Sales Tax and Federal Excise Duty on management fee | 8.2 & 8.3 | 58,277 | 34,440 |
| Sales load | | 904 | 1,535 |
| Sindh Sales Tax and Federal Excise Duty on sales load | 8.2 & 8.3 | 2,007 | 1,425 |
| | | 71,521 | 54,698 |

8.1 Under the provisions of the 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 one percent per annum of the average annual net assets of the Fund for the year ended June 30, 2015.

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% 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 (MUFAP) and the Honourable High Court Sindh in a Constitutional petition relating to levy of Federal Excise Duty (FED) on Mutual Fund has granted stay order for the recovery of Federal Excise Duty (FED). As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 50.56 million (30 June 2014: Rs. 28.26 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. 0.31 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 value of the Fund.

The rates have been revised with effect from April 01, 2013. The revised tariff structure is as follows:

| Net Assets (Rupees) | Tariff |
|-------------------------|---|
| Up to 1 billion | 0.15% p.a. of net assets |
| 1 billion to 10 billion | Rs. 1.5 million plus 0.075% p.a. of net assets exceeding Rs. 1 billion |
| Over 10 billion | Rs. 8.25 million plus 0.06% p.a. of net assets exceeding Rs. 10 billion |

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

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

11. ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2015 (Rupees in '000) | 2014 |
|-------------------------------------|------|--------------------------|----------------|
| Workers' Welfare Fund (WWF) payable | 13 | 133,886 | 122,469 |
| Withholding tax payable | | 5,496 | 63 |
| Printing expenses payable | | 891 | 585 |
| Zakat payable | | 626 | 53 |
| Auditors' remuneration | | 297 | 340 |
| Brokerage payable | | 114 | 8 |
| Other payable | | - | - |
| | | 141,310 | 123,518 |

12. CONTINGENCIES AND COMMITMENTS

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

13. WORKERS' WELFARE FUND

The Finance Act, 2008, introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, 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. However, 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. 133.886 million which includes Rs. 11.417 million pertaining to the current year and Rs. 122.47 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.83 (1.54%).

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. 74.019 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.

14. NUMBER OF UNITS IN ISSUE

| | 2015 (Number of units) | 2014 |
|--|---------------------------|--------------------|
| 14.1 The movement in number of units in issue during the year is as follows: | | |
| Total units in issue at beginning of the year | 401,746,086 | 384,886,259 |
| Add: units issued during the year | 408,566,767 | 542,570,659 |
| Add: bonus units issued during the year | - | 37,325,012 |
| Less: units redeemed during the year | (649,764,761) | (563,035,844) |
| Total units in issue at end of the year | <u>160,548,092</u> | <u>401,746,086</u> |

14.2 The Fund may issue following classes of units:

| Class | Description |
|-------|---|
| A | Units shall be issued to Core Investors with no Front-end load and no Back-end load. Any bonus units issued for distribution of income shall also be Class A units (note 14.2.1). |
| B | Units shall be issued to Pre-IPO investors and during the IPO. These units shall be charged with applicable Front-end Load. |
| C | Units shall be issued after the IPO period and may be charged with a Front-end load. |
| D | Units shall be issued after the IPO period and may be charged with a Back-end load. |

14.2.1 Core units subscribed by the core investors shall be offered and issued at the par value. Rupees 50 million from that shall not be redeemable for a period of two years from the date of issue.

14.3 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 unit holders shall also be the growth units.
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

14.4 The par value of each unit is Rs. 50. The Management Company of the Fund has set a minimum initial investment limit of Rs. 5,000 and the minimum amount for adding to an existing account is Rs. 1,000. All units carry equal rights and are entitled to dividends and payment of net asset value on liquidation.

15. AUDITORS' REMUNERATION

| | 2015 (Rupees in '000) | 2014 |
|-------------------------|--------------------------|------------|
| Statutory Audit fee | 190 | 190 |
| Half yearly review fee | 120 | 120 |
| Other certification fee | 100 | 100 |
| Out of pocket expenses | - | 108 |
| | <u>410</u> | <u>518</u> |

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited (Al Meezan) being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Management Company and Meezan Islamic Fund, Al Meezan Mutual Fund, KSE Meezan Index Fund, Meezan Islami Income 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 unit holders holding 10 percent or more of the fund.

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations, 2008 and the Trust Deed respectively.

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

| | 2015 | 2014 |
|--|------------------|-----------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Limited | | |
| - Management Company | | |
| Remuneration payable | 10,333 | 17,298 |
| Sindh Sales Tax and Federal Excise Duty payable on management fee | 58,277 | 34,440 |
| Sales load payable | 904 | 1,535 |
| Sindh Sales Tax and Federal Excise Duty payable on sales load | 2,007 | 1,425 |
| Investments as at 30 June, 2015: nil units (30 June 2014: 619,702 units) | - | 31,283 |
| Meezan Bank Limited | | |
| Balances with bank | 101,475 | 167,608 |
| Profit receivable on saving accounts | 332 | 18,464 |
| Sales load payable | 499 | 270 |
| Investments as at 30 June, 2015: 56,706,764 units (30 June 2014: 129,875,189 units) | 3,057,628 | 6,556,100 |
| Central Depository Company of Pakistan Limited | | |
| - Trustee | | |
| Trustee fee payable | 807 | 1,225 |
| Deposits | 100 | 100 |
| Al Meezan Investment Management Limited - Employees Gratuity Fund | | |
| Investments as at 30 June, 2015: 44,826 units (30 June 2014: 44,826 units) | 2,417 | 2,263 |
| Meezan Financial Planning Fund of Funds | | |
| Investment as at 30 June 2015: 1,936,916 units | | |
| - Aggressive Allocation Plan (30 June 2014: 1,942,386 units) | 104,439 | 98,052 |
| Investment as at 30 June 2015: 4,984,360 units | | |
| - Conservative Allocation Plan (30 June 2014: 5,044,442 units) | 268,757 | 254,644 |
| Investment as at 30 June 2015: 3,485,449 units | | |
| - Moderate Allocation Plan (30 June 2014: 2,489,711 units) | 187,935 | 125,681 |

| | 2015 | 2014 |
|---|------------------------------------|---------------|
| | (Rupees in '000) | |
| Investment as at 30 June 2015 4,529,964 units - MCPP - I (2014: nil units) | 244,256 | - |
| Investment as at 30 June 2015 8,689,559 units - MCPP - II (2014: nil units) | 468,541 | - |
| Meezan Capital Preservation Funds III | | |
| Investment as at 30 June, 2015: 5,533,153 units (30 June 2014: nil units) | 298,348 | - |
| Meezan Capital Preservation Funds II | | |
| Investment as at 30 June, 2015: 5,647,987 units (30 June 2014: 99 units) | 304,540 | 5 |
| Directors and officers of the Management Company | | |
| Investment as at 30 June, 2015: 177,443 units (30 June 2014: 1,419,337 units) | 9,568 | 71,648 |
| | 9,568 | 71,648 |
| | For the year ended June 30, | |
| | 2015 | 2014 |
| | (Rupees in '000) | |
| AI Meezan Investment Management Limited - Management Company | | |
| Remuneration for the year | 136,167 | 203,823 |
| Sindh Sales Tax and Federal Excise Duty on management fee | 45,552 | 69,594 |
| Units issued: nil units (30 June 2014: 12,920,271 units) | - | 654,563 |
| Units redeemed: 619,702 units (30 June 2014: 25,555,094 units) | 31,461 | 1,297,102 |
| Bonus units issued: nil units (30 June 2014: 918,736 units) | - | 46,080 |
| Meezan Bank Limited | | |
| Profit on saving accounts | 4,086 | 135,890 |
| Units issued: nil units (30 June 2014: 78,400,627 units) | - | 4,000,000 |
| Units redeemed: 73,168,424 units (30 June 2014: 109,828,451 units) | 3,745,306 | 5,590,439 |
| Bonus units issued: nil units (30 June 2014: 12,473,631 units) | - | 626,483 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration fee | 10,420 | 14,480 |
| CDS Charges | 6 | 6 |
| AI Meezan Investment Management Limited - Employees Gratuity Fund | | |
| Bonus units issued: nil units (30 June 2014: 3,984 units) | - | 200 |
| Meezan Financial Planning Fund of Funds | | |
| Purchase of 1,008,898 units - Aggressive Allocation Plan (30 June 2014: 1,210,797 units) | 52,721 | 61,211 |
| Purchase of 4,507,010 units - Conservative Allocation Plan (30 June 2014: 3,413,704 units) | 232,834 | 172,860 |
| Purchase of 2,746,285 units - Moderate Allocation Plan (30 June 2014: 1,923,283 units) | 143,660 | 97,433 |
| Purchase of 20,492,959 units - MCPP I (30 June 2014: nil units) | 1,089,010 | - |
| Purchase of 82,759,037 units - MCPP II (30 June 2014: nil units) | 4,372,200 | - |
| Sale of 1,014,368 units - Aggressive Allocation Plan (30 June, 2014: 612,146 units) | 53,001 | 31,043 |

| | For the year ended June 30, | |
|---|--------------------------------|-----------|
| | 2015 | 2014 |
| | (Rupees in '000) | |
| Sale of 4,567,092 units - Conservative Allocation Plan (30 June, 2014: 2,605,238 units) | 238,694 | 131,972 |
| Sale of 1,750,547 units - Moderate Allocation Plan (30 June, 2013: 1,063,587 units) | 92,053 | 53,814 |
| Sale of 15,962,995 units - MCPP I (30 June, 2014: nil units) | 849,972 | - |
| Sale of 74,069,478 units - MCPP II (30 June, 2014: nil units) | 3,931,032 | - |
| Bonus units issued - Aggressive Allocation Plan: nil units (30 June 2014: 137,306 units) | - | 6,901 |
| Bonus units issued - Conservative Allocation Plan: nil units (30 June 2014: 437,799 units) | - | 21,996 |
| Bonus units issued - Moderate Allocation Plan: nil units (30 June 2014: 161,285 units) | - | 8,105 |
| Meezan Capital Preservation Fund III | | |
| Units issued: 7,685,686 (30 June 2014: 43,920,901 units) | 412,900 | 2,230,000 |
| Units redeemed: 2,152,533 units (30 June 2014: 44,044,851 units) | 116,000 | 2,249,015 |
| Bonus units issued: nil (30 June 2014: 123,950 units) | - | 6,271 |
| Meezan Capital Preservation Fund II | | |
| Units issued: 7,058,168 (30 June 2014: 99 units) | 379,080 | 5 |
| Units redeemed: 1,410,280 (30 June 2014: nil units) | 76,000 | - |
| Directors and officers of the Management Company | | |
| Units issued: 338,132 units (30 June 2014: 925,780 units) | 17,069 | 46,998 |
| Units redeemed: 1,580,027 units (30 June 2014: 4,187,313 units) | 79,760 | 213,639 |
| Bonus units issued: nil units (30 June 2014: 274,866 units) | - | 13,788 |

17. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2015 | | | | Total |
|---|-----------------------|---|--|--|------------|
| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Financial assets categorized as 'available for sale' | Financial liabilities measured at amortized cost | |
| | (Rupees in '000) | | | | |
| On balance sheet - financial assets | | | | | |
| Balances with banks | 3,234,525 | - | - | - | 3,234,525 |
| Investments | - | 6,891,142 | 1,384,654 | - | 8,275,796 |
| Receivable on conversion of units | 79,483 | - | - | - | 79,483 |
| Deposits and other receivables | 192,354 | - | - | - | 192,354 |
| | 3,506,362 | 6,891,142 | 1,384,654 | - | 11,782,158 |
| On balance sheet - financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | - | - | 71,521 | 71,521 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | - | 807 | 807 |
| Payable to Meezan Bank Limited | - | - | - | 499 | 499 |
| Payable on redemption and conversion of units | - | - | - | 2,901,599 | 2,901,599 |
| Accrued expenses and other liabilities | - | - | - | 1,302 | 1,302 |
| | - | - | - | 2,975,728 | 2,975,728 |

| | 2014 | | | | Total |
|---|-----------------------|---|--|--|-------------------|
| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Financial assets categorized as 'available for sale' | Financial liabilities measured at amortized cost | |
| | (Rupees in '000) | | | | |
| On balance sheet - financial assets | | | | | |
| Balances with banks | 6,690,140 | - | - | - | 6,690,140 |
| Investments | - | 12,040,264 | 1,684,052 | - | 13,724,316 |
| Deposits and other receivables | 285,838 | - | - | - | 285,838 |
| | <u>6,975,978</u> | <u>12,040,264</u> | <u>1,684,052</u> | <u>-</u> | <u>20,700,294</u> |
| On balance sheet - financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | - | - | 54,698 | 54,698 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | - | 1,225 | 1,225 |
| Payable to Meezan Bank Limited | - | - | - | 270 | 270 |
| Payable on redemption and conversion of units | - | - | - | 225,016 | 225,016 |
| Accrued expenses and other liabilities | - | - | - | 933 | 933 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>282,142</u> | <u>282,142</u> |

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 unit holders 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 that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from Currency risk or Interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instrument traded in the market. The Fund is not exposed to any price risk as at June 30, 2015.

18.1.2 Interest rate risk

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

Cash flow interest rate risk

The Company's interest rate risk arises from the balances in savings accounts and investment in debt securities. At June 30, 2015, if there had been increase / decrease of 100 basis points in interest rates or in

rates announced by Financial Market Association, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 114.942 million (2014: Rs 204.023 million) mainly as a result of finance income.

Fair value interest rate risk

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

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2015 is not necessary indicative of the effect on the fund's net asset due to future movements in interest rates.

18.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counter parties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. All the debt instruments in which the Fund has invested as at June 30, 2015 are Government guaranteed securities.

Credit risk arises from deposits with banks and financial instruments, profit receivable on bank deposits and credit exposure arising as a result of receivable against sale of investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund minimises 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 mainly comprises of government guaranteed GoP Ijara Sukuks and balances with banks. As transactions are entered with credit worthy parties thereby any significant concentration of credit risk is mitigated.

The maximum exposure to credit risk as at June 30, 2015 along with comparative is tabulated below:

| | 2015 | 2014 |
|-----------------------------------|-------------------------|------------------|
| | (Rupees in '000) | |
| Financial assets | | |
| Balances with banks | 3,234,525 | 6,690,140 |
| Receivable on conversion of units | 79,483 | - |
| Deposits and other receivables | 192,354 | 285,838 |
| | <u>3,506,362</u> | <u>6,975,978</u> |

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

| | 2015 (Percentage) | 2014 |
|-----|----------------------|---------------|
| AAA | 72.73 | 78.42 |
| AA+ | 26.37 | 19.00 |
| AA | 0.90 | 2.58 |
| | 100.00 | 100.00 |

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 30 June 2015.

18.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder's redemptions at any time. 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. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's asset in highly liquid financial assets.

In accordance with regulation 58(1)(k) of the NBFC Regulations, 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. 1,298.505 million as on 30 June 2015 (30 June 2014: Rs. 3,042.10 million). However, no such borrowing has been obtained during the year.

Further, the Fund is also allowed, as per regulation 57(10) of the NBFC Regulations to defer redemption requests to next dealing day, had such requests exceed ten percent of the total number of units in issue.

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.

An 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 | 71,521 | - | - | - | 71,521 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 807 | - | - | - | 807 |
| Payable to Meezan Bank Limited | 499 | - | - | - | 499 |
| Payable on redemption and conversion of units | 2,901,599 | - | - | - | 2,901,599 |
| Accrued expenses and other liabilities | 1,302 | - | - | - | 1,302 |
| | 2,975,728 | - | - | - | 2,975,728 |

| | 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 | 54,698 | - | - | - | 54,698 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 1,225 | - | - | - | 1,225 |
| Payable to Meezan Bank Limited | 270 | - | - | - | 270 |
| Payable on redemption and conversion of units | 225,016 | - | - | - | 225,016 |
| Accrued expenses and other liabilities | 933 | - | - | - | 933 |
| | <u>282,142</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>282,142</u> |

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

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) 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 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 fund does not hold any securities that are based on quoted market prices.

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 (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|-----------|---------|-----------|
| Assets | (Rupees in '000) | | | |
| Financial assets as at 'Fair Value through profit or loss' | | | | |
| - Debt securities | - | 6,891,142 | - | 6,891,142 |
| Financial assets as 'Available For Sale' | | | | |
| - Debt securities | - | 1,384,654 | - | 1,384,654 |
| | - | 8,275,796 | - | 8,275,796 |

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

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|------------|---------|------------|
| Assets | (Rupees in '000) | | | |
| Financial assets as at 'Fair Value through profit or loss' | | | | |
| - Debt securities | - | 12,040,264 | - | 12,040,264 |
| Financial assets as 'Available For Sale' | | | | |
| - Debt securities | - | 1,684,052 | - | 1,684,052 |
| | - | 13,724,316 | - | 13,724,316 |

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 | 2011 |
|--|------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net assets (Rs '000) (ex-distribution) | 8,656,701 | 20,280,685 | 19,654,233 | 19,709,509 | 12,455,125 |
| Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution) | 53.92 | 50.48 | 50.04 | 50.03 | 50.01 |
| Offer price per unit as at June 30 (Rs) (ex-distribution) | 54.28 | 50.82 | 50.38 | 50.32 | 50.26 |
| Distribution (%) | | | | | |
| Interim | | | | | |
| - First quarter | - | 1.80 | 2.38 | 2.60 | 2.50 |
| - Second quarter | - | 1.68 | 2.36 | 2.60 | 1.30 |
| - Third quarter | - | 1.80 | 2.00 | 2.60 | 4.20 |
| - Fourth quarter | - | 2.10 | - | 2.92 | 1.75 |
| Annual | - | - | 2.06 | - | 1.28 |
| Dates of distribution (interim) | | | | | |
| - First quarter | - | September 23, 2013 | September 21, 2012 | September 23, 2011 | September 30, 2010 |
| - Second quarter | - | December 24, 2013 | December 31, 2012 | December 22, 2011 | December 31, 2011 |
| - Third quarter | - | March 24, 2014 | March 22, 2013 | March 22, 2012 | March 30, 2011 |
| - Fourth quarter | - | May 29, 2014 | - | May 28, 2012 | May 24, 2011 |
| Dates of distribution (annual) | - | - | July 8, 2013 | - | July 7, 2011 |
| Income distribution (Rupees in '000) | - | 586 | 449 | 647,696 | 520,589 |
| Growth distribution (Rupees in '000) | - | 1,875,183 | 1,300,190 | 1,204,181 | 362,249 |
| Highest offer price per unit (Rs) | 54.28 | 51.86 | 51.50 | 51.73 | 52.00 |
| Lowest offer price per unit (Rs) | 50.88 | 50.36 | 50.31 | 50.32 | 50.29 |
| Highest redemption price per unit (Rs) | 53.92 | 51.51 | 51.20 | 51.47 | 52.11 |
| Lowest redemption price per unit (Rs) | 50.54 | 50.02 | 50.02 | 50.03 | 50.04 |
| Total return (%) | 6.81 | 8.50 | 9.11 | 11.18 | 11.46 |
| Weighted Average Portfolio Duration (years) | 0.40 | 0.78 | 1.43 | 2.02 | 2.43 |
| | One Year | Two Year | Three Year | Four Year | Five Year |
| Average annual return (%) as at June 30, 2015 | 6.81 | 15.31 | 12.21 | 11.87 | 11.77 |

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 fluctuate as described in note 18.

23. INVESTMENT COMMITTEE MEMBERS

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

| Name | Designation | Qualification | Experience in years |
|------------------------|--------------------------|--------------------|---------------------|
| 1. Mr. Mohammad Shoaib | Chief Executive Officer | CFA / MBA | Twenty five years |
| 2. Mr. Muhammad Asad | Chief Investment Officer | CFA level II / MBA | Nineteen years |
| 3. Mrs. Sanam Ali Zaib | Head of Research | CFA / MBA | Eleven years |
| 4. Mr. Ahmed Hassan | VP Investments | CFA / MBA | Eight years |
| 5. Mr. Asif Mobin | VP Investments | MBA | Seventeen years |
| 6. Mr. Zain Malik | AVP Investments | CFA level II / BBA | Six years |
| 7. Mr. Fahad Sultan | Head of Risk | ACA / B.COM | Eight years |

23.2 The Fund Manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund
- Meezan Islamic Income Fund

24. BROKERAGE COMMISSION BY PERCENTAGE

| Name of the broker | 2015 (Percentage) | 2014 |
|--|----------------------|------|
| Invest Capital Markets Limited | 42 | 63 |
| JS Global Capital Limited | 48 | 26 |
| Invest one | - | 6 |
| Elixir Securities Pakistan (Private) Limited | - | 2 |
| Invest & Finance Securities Limited | - | 1 |
| C&M Management Limited | - | 2 |
| BMA Capital | 10 | - |

25. 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. PATTERN OF UNIT HOLDING

| | As at June 30, 2015 | | |
|----------------------------------|---------------------|---------------------------------------|---|
| | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment Percentage |
| Individuals | 4,182 | 3,153,640 | 36.43% |
| Associated companies / directors | 13 | 4,942,146 | 57.09% |
| Insurance companies | 1 | 4,381 | 0.05% |
| Retirement funds | 48 | 475,877 | 5.50% |
| Public limited companies | 65 | 48,969 | 0.57% |
| Others | 17 | 31,688 | 0.36% |
| Total | 4,326 | 8,656,701 | 100% |

| | As at June 30, 2014 | | |
|----------------------------------|---------------------|---------------------------------------|---|
| | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment Percentage |
| Individuals | 5,350 | 6,705,461 | 33.06% |
| Associated companies / directors | 12 | 7,121,767 | 35.12% |
| Insurance companies | 14 | 699,458 | 3.45% |
| Banks / DFIs | 1 | 2,000,846 | 9.87% |
| Retirement funds | 61 | 710,289 | 3.50% |
| Public limited companies | 109 | 2,296,475 | 11.32% |
| Others | 29 | 746,389 | 3.68% |
| Total | 5,576 | 20,280,685 | 100% |

26. SUBSEQUENT EVENTS


27.1 The Board of Directors in its meeting held on July 3, 2015 has announced a final cash dividend of 6.90% (Rs. 3.45 per unit) (2014: Rs. Nil) amounting to Rs 553.89 million (2014: Rs. Nil). 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 | % |
|--|--------------------|-------------|
| Associated Companies | | |
| Meezan Bank Limited | 56,706,764 | 35.32% |
| Meezan Capital Preservation Fund II | 5,647,987 | 3.52% |
| Meezan Capital Preservation Fund III | 5,533,153 | 3.45% |
| Meezan Financial Planning Fund | | |
| - Aggressive Allocation Plan | 1,936,916 | 1.21% |
| - Conservative Allocation Plan | 4,984,359 | 3.10% |
| - Moderate Allocation Plan | 3,485,449 | 2.17% |
| - Capital Preservation Plan I | 4,529,963 | 2.82% |
| - Capital Preservation Plan II | 8,689,559 | 5.41% |
| Chief Executive | | |
| Mr. Mohammad Shoaib, CFA | 4,448 | 0.00% |
| Directors | | |
| Mr. Syed Amir Ali | 14,293 | 0.01% |
| Mr. Mazhar Sharif | 15,751 | 0.01% |
| Mr. Tasnim ul Haq Farooqi | 108,779 | 0.07% |
| Executives | 34,172 | 0.02% |
| Public Limited Companies | 908,175 | 0.57% |
| Retirement Funds | 8,825,664 | 5.50% |
| Other Corporate Sector entities | 588,281 | 0.37% |
| Insurance | 81,244 | 0.05% |
| Individuals | 58,453,134 | 36.41% |
| Total | 160,548,092 | 100% |

20
years
Celebration

meezan
cash fund
میزان



MEEZAN CASH FUND

Meezan Cash Fund attempts to amplify the preservation of capital and reasonable rate of return by investing mainly in liquid Shariah compliant money market and debt securities.

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

| | |
|---|---|
| Askari Bank Limited - Islamic Banking | MCB Bank Limited - Islamic Banking |
| Bank Alfalah Limited - Islamic Banking | Meezan Bank Limited |
| Bank Al Habib Limited - Islamic Banking | National Bank of Pakistan - Islamic Banking |
| Faysal Bank Limited - Islamic Banking | UBL Ameen |
| Habib Bank Limited - Islamic Banking | Sindh Bank Limited - Islamic Banking |
| Habib Metropolitan Bank Limited - Islamic Banking | |

LEGAL ADVISER

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

TRANSFER AGENT

Meezan Bank Limited
Meezan House
C-25, Estate Avenue, SITE, Karachi.
Phone: 38103538 Fax: 36406017
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 Cash Fund (MCF) is an open end cash fund investing primarily in Shariah compliant money market and Islamic bonds (Sukuks).

Its objective is to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in liquid Shariah compliant money market & Shariah compliant debt securities.

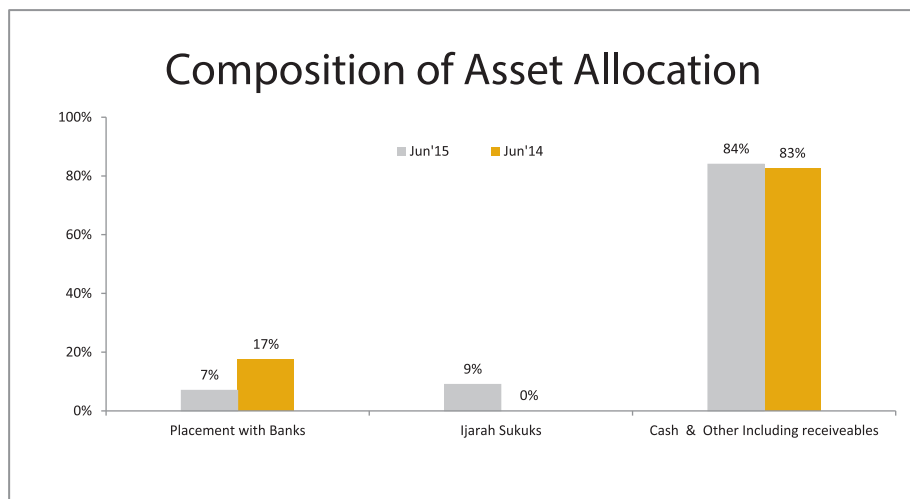
Investment Policy

The fund provides investors with the opportunity to park their excess liquidity in secure high quality instruments. To minimize the impact of interest rate volatility, the investment policy limits the investment avenues to short term.

Strategy Implementation - Strategic and tactical Asset Allocation

As per its investment policy, MCF can invest or place funds in instruments/avenues with a credit rating of 'double A' (AA) and above. Moreover, the investment policy limits interest rate risk by capping the maturity of instruments up to a maximum of six months, along with maximum portfolio duration of three months.

Sector Allocation as on June 30th 2014 and 2015



Performance Review

Meezan Cash Fund (MCF) provided a competitive return of 7.46% to its investors for the year ended June 30, 2015 as compared to its benchmark return of 6.24%.

The Fund earned a gross income of Rs. 350 million, which was primarily due to profit on bank deposits and placements amounting to Rs. 255 million and profit on Sukuks certificates amounting to Rs.92 million. The fund also incurred expenses totalling to Rs. 65 million and element of loss and capital losses of Rs. 49 million, which brought the net income figure to Rs. 236 million. The net assets of the Fund as at June 30, 2015 were Rs. 7,618 million as compared to Rs. 3,049 million at the end of last year. The net asset value per unit as at June 30, 2015 was Rs. 50.10 as compared to Rs. 50.07 per unit as on June 30, 2014.

Performance Table with Benchmark

| | MCF | Six Month deposits at Islamic Banks |
|-------------------------------------|-------|--|
| Net Asset Value as on June 30, 2014 | 50.07 | |
| Net Asset Value as on June 30, 2015 | 50.10 | |
| Return During the Period - Net | 7.46% | 6.24% |
| Outperformance - Net | 1.22% | |

Distributions

The Board of Directors of Al Meezan Investments in its meeting held on July 3, 2015 has approved nil distribution for the year ended June 30, 2015. The interim distributions by the Fund during the fiscal year ended June 30, 2015 were Rs. 3.70 per unit (7.40%). Total distribution made by the fund was Rs. 231.77 million.

Fund Stability Rating

JCR-VIS Credit Rating Company has assigned Stability Rating of AA (f) to Meezan Cash Fund.

Breakdown of unit holdings by size

(As on June 30, 2015)

| Range (Units) | Number of investors |
|-------------------|------------------------|
| 1 - 9,999 | 2,158 |
| 10,000 - 49,999 | 775 |
| 50,000 - 99,999 | 155 |
| 100,000 - 499,999 | 113 |
| 500,000 and above | 31 |
| Total | 3,232 |



Meezan Bank

The Premier Islamic Bank

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

July 31, 2015/Shawwal 14, 1436

Alhamdulillah, the period from July 1, 2014 to June 30, 2015 was the seventh year of operations of Meezan Cash Fund (MCF) under management of Al Meezan Investment Management Limited (Al Meezan). We Meezan Bank Limited are the *Shari'ah* Advisor of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MCF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MCF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MCF for the year ended June 30, 2015 have been in compliance with *Shari'ah* principles.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Dr. Muhammad Imran Ashraf Usmani
For and on behalf of Meezan Bank Limited
Shari'ah Advisor

Page 1 of 1

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN CASH 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 Cash 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 Meezan Cash 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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Independent Auditors' Report to the Unitholders

Report on the Financial Statements

We have audited the accompanying financial statements of **Meezan Cash 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 |
|--|------|--------------------------|-------------------|
| Assets | | | |
| Balances with banks | 4 | 3,177,258 | 2,544,117 |
| Investments | 5 | 1,291,766 | - |
| Receivable against Bai Muajjal | | - | 530,078 |
| Receivable on conversion of units | | 3,505,115 | - |
| Profit receivable | 6 | 59,920 | 63,959 |
| Deposit and prepayments | | 521 | 318 |
| Total assets | | 8,034,580 | 3,138,472 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company | 7 | 19,805 | 11,668 |
| Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee | 8 | 338 | 282 |
| Payable to Securities and Exchange Commission of Pakistan (SECP) | 9 | 2,975 | 4,199 |
| Payable on redemption and conversion of units | | 314,563 | 18,367 |
| Brokerage payable | | 25 | - |
| Dividend payable | | 3,820 | - |
| Accrued expenses and other liabilities | 10 | 75,315 | 54,590 |
| Total liabilities | | 416,841 | 89,106 |
| Net assets | | 7,617,739 | 3,049,366 |
| Contingencies and commitments | 11 | | |
| Unitholders' fund (as per statement attached) | | 7,617,739 | 3,049,366 |
| Number of units | | | |
| Number of units in issue | 12 | 152,058,910 | 60,905,742 |
| Rupees | | | |
| Net assets value per unit | | 50.10 | 50.07 |

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 |
|--|-----------|--------------------------|---------|
| Income | | | |
| Profit on saving accounts with banks | | 200,965 | 335,341 |
| Profit on placements | | 54,446 | 26,205 |
| Profit on sukuk certificates | | 14,092 | 24,306 |
| Profit on Government of Pakistan (GoP) Ijarah Sukuks | | 77,939 | 95,937 |
| Realised gain / (loss) on sale of sukuk certificates (net) | | 1,117 | (562) |
| Other income | | 6 | - |
| | | 348,565 | 481,227 |
| Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net) | 5.2 | 1,796 | - |
| Total income | | 350,361 | 481,227 |
| Expenses | | | |
| Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company | 7.1 | 39,672 | 55,992 |
| Sindh Sales Tax and Federal Excise Duty on Management Fee | 7.2 & 7.3 | 13,250 | 19,053 |
| Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee | 8 | 3,725 | 4,949 |
| Annual fee to Securities and Exchange Commission of Pakistan (SECP) | 9 | 2,975 | 4,200 |
| Auditors' remuneration | 13 | 385 | 481 |
| Fees and subscription | | 266 | 265 |
| Amortisation of preliminary expenses and floatation costs | | - | 572 |
| Amortisation of premium on 'available for sale' investments | | - | 698 |
| Brokerage | | 68 | 116 |
| Bank and settlement charges | | 95 | 121 |
| Printing and stationery expenses | | - | 95 |
| Provision for Workers' Welfare Fund (WWF) | 14 | 4,818 | 7,763 |
| Total expenses | | 65,254 | 94,305 |
| Net income from operating activities | | 285,107 | 386,922 |
| Element of loss and capital losses included in prices of units issued less those in units redeemed (net) | | (49,008) | (6,526) |
| Net income for the year before taxation | | 236,099 | 380,396 |
| Taxation | 20 | - | - |
| Net income for the year after taxation | | 236,099 | 380,396 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 236,099 | 380,396 |

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

DISTRIBUTION STATEMENT


FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 (Rupees in '000) | 2014 |
|---|--------------------------|--------------|
| Undistributed income brought forward | | |
| - Realised | 8,803 | 10,169 |
| - Unrealised | - | (1,982) |
| | 8,803 | 8,187 |
| Less: Distributions for the year | | |
| Interim distribution on June 26, 2015 | | |
| - cash dividend @ 7.4% (Rs. 3.7 per unit) | (231,767) | - |
| Interim distribution on July 23, 2013 | | |
| - bonus units @ 0.54% (Rs. 0.27 per unit) | - | (35,505) |
| - cash dividend @ 0.54% (Rs. 0.27 per unit) | - | (15) |
| Interim distribution on August 22, 2013 | | |
| - bonus units @ 0.60% (Rs. 0.30 per unit) | - | (40,046) |
| - cash dividend @ 0.60% (Rs. 0.30 per unit) | - | (17) |
| Interim distribution on September 20, 2013 | | |
| - bonus units @ 0.60% (Rs. 0.30 per unit) | - | (38,550) |
| - cash dividend @ 0.60% (Rs. 0.30 per unit) | - | (14) |
| Interim distribution on October 23, 2013 | | |
| - bonus units @ 0.64% (Rs. 0.32 per unit) | - | (40,276) |
| - cash dividend @ 0.64% (Rs. 0.32 per unit) | - | (13) |
| Interim distribution on November 21, 2013 | | |
| - bonus units @ 0.54% (Rs. 0.27 per unit) | - | (34,727) |
| - cash dividend @ 0.54% (Rs. 0.27 per unit) | - | (11) |
| Interim distribution on December 24, 2013 | | |
| - bonus units @ 0.60% (Rs. 0.30 per unit) | - | (34,751) |
| - cash dividend @ 0.60% (Rs. 0.30 per unit) | - | (13) |
| Interim distribution on January 24, 2014 | | |
| - bonus units @ 0.60% (Rs. 0.30 per unit) | - | (33,621) |
| - cash dividend @ 0.60% (Rs. 0.30 per unit) | - | (13) |
| Interim distribution on February 24, 2014 | | |
| - bonus units @ 0.60% (Rs. 0.30 per unit) | - | (32,897) |
| - cash dividend @ 0.60% (Rs. 0.30 per unit) | - | (13) |
| Interim distribution on March 24, 2014 | | |
| - bonus units @ 0.60% (Rs. 0.30 per unit) | - | (28,135) |
| - cash dividend @ 0.60% (Rs. 0.30 per unit) | - | (13) |
| Interim distribution on April 24, 2014 | | |
| - bonus units @ 0.52% (Rs. 0.26 per unit) | - | (23,319) |
| - cash dividend @ 0.52% (Rs. 0.26 per unit) | - | (11) |

| | 2015 (Rupees in '000) | 2014 |
|---|--------------------------|------------------|
| Interim distribution on May 23, 2014 | | |
| - bonus units @ 0.48% (Rs. 0.24 per unit) | - | (20,025) |
| - cash dividend @ 0.48% (Rs. 0.24 per unit) | - | - |
| Interim distribution on June 24, 2014 | | |
| - bonus units @ 0.52% (Rs. 0.26 per unit) | - | (17,795) |
| - cash dividend @ 0.52% (Rs. 0.26 per unit) | - | - |
| | (231,767) | (379,780) |
| Net income for the year | 236,099 | 380,396 |
| Undistributed income carried forward | 13,135 | 8,803 |
| Undistributed income carried forward | | |
| - Realised | 11,339 | 8,803 |
| - Unrealised | 1,796 | - |
| | 13,135 | 8,803 |

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 | 3,049,366 | 6,510,774 |
| Issue of 340,395,838 units (2014: 162,030,500 units) | 17,552,734 | 8,126,625 |
| Redemption of 249,242,670 units (2014: 238,782,704 units) | (13,037,701) | (11,974,822) |
| | 4,515,033 | (3,848,197) |
| Element of loss and capital losses included in prices of units issued less those in units redeemed (net) | 49,008 | 6,526 |
| Issue of bonus units : nil (2014: 7,594,693 bonus units) | - | 379,647 |
| Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net) | 1,796 | - |
| Net realised gain / (loss) on sale of sukuk certificates | 1,117 | (562) |
| Other net income for the year | 233,186 | 380,958 |
| Total comprehensive income for the year | 236,099 | 380,396 |
| Interim distributions: | | |
| -Issue of 709,882 bonus units and cash distribution on July 23, 2013 | - | (35,520) |
| -Issue of 800,874 bonus units and cash distribution on August 22, 2013 | - | (40,063) |
| -Issue of 771,881 bonus units and cash distribution on September 20, 2013 | - | (38,564) |
| -Issue of 806,314 bonus units and cash distribution on October 23, 2013 | - | (40,289) |
| -Issue of 694,674 bonus units and cash distribution on November 21, 2013 | - | (34,738) |
| -Issue of 694,883 bonus units and cash distribution on December 24, 2013 | - | (34,764) |
| -Issue of 672,296 bonus units for the period ended January 24, 2014 | - | (33,634) |
| -Issue of 658,014 bonus units for the period ended February 24, 2014 | - | (32,910) |
| -Issue of 562,918 bonus units for the period ended March 24, 2014 | - | (28,148) |
| -Issue of 466,449 bonus units for the period ended April 24, 2014 | - | (23,330) |
| -Issue of 400,507 bonus units for the period ended May 23, 2014 | - | (20,025) |
| - Issue of 356,001 bonus units for the period ended June 24, 2014 | - | (17,795) |
| - Cash distribution on June 26, 2015 | (231,767) | - |
| Total distribution for the year | (231,767) | (379,780) |
| Net income for the year less distribution | 4,332 | 616 |
| Net assets at end of the year | 7,617,739 | 3,049,366 |
| | (Rupees) | |
| Net assets value per unit at beginning of the year | 50.07 | 50.06 |
| Net assets value per unit at end of the year | 50.10 | 50.07 |

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 |
|--|------|--------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year | | 236,099 | 380,396 |
| Adjustments for: | | | |
| Amortisation of preliminary expenses and floatation costs | | - | 572 |
| Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net) | 5.2 | (1,796) | - |
| Element of loss and capital losses included in prices of units sold less those in units redeemed (net) | | 49,008 | 6,526 |
| | | 283,311 | 387,494 |
| (Increase) / decrease in assets | | | |
| Deposit and prepayments | | (203) | - |
| Profit receivable | | 4,039 | 69,445 |
| Receivable against Bai Muajjal | | 530,078 | (530,078) |
| Investments (net) | | (1,289,970) | 3,842,500 |
| | | (756,056) | 3,381,867 |
| Increase / (decrease) in liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | 8,137 | 4,863 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 56 | (187) |
| Payable to Securities and Exchange Commission of Pakistan - SECP | | (1,224) | (825) |
| Brokerage payable | | 25 | (129) |
| Accrued expenses and other liabilities | | 20,725 | 5,876 |
| | | 27,719 | 9,598 |
| Net cash (used in) / generated from operating activities | | (445,026) | 3,778,959 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipts against issuance of units | | 14,047,619 | 8,126,625 |
| Payment against redemption of units | | (12,741,505) | (11,981,770) |
| Dividend paid | | (227,947) | (146) |
| Net cash generated from / (used in) financing activities | | 1,078,167 | (3,855,291) |
| Net increase / (decrease) in cash and cash equivalents during the year | | 633,141 | (76,332) |
| Cash and cash equivalents at beginning of the year | | 2,544,117 | 2,620,449 |
| Cash and cash equivalents at end of the year | 4 | 3,177,258 | 2,544,117 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Cash Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) 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 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 in time. The Fund shall seek to maximise preservation of capital and a reasonable rate of return via investing primarily in liquid shariah compliant money market and shariah compliant debt securities. Under the Trust Deed all the 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 Shariah compliant (Islamic) Money Market Scheme listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Management Company has been given a quality rating of AM2+ and the stability rating of the Fund is AA(f) given 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.

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 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 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' 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 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 judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Classification and valuation of financial instruments (notes 3.1 and 5);
- (b) Impairment of financial instruments (note 3.1.6);
- (c) Recognition of provision for Workers' Welfare Fund (note 14 and 26); and
- (d) Taxation (note 3.7.1 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 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 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 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.

The Fund follows trade date accounting for purchase and sale of investments. Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

3.1.4 Measurement

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

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

The fair value of financial instruments is determined as follows:

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 (PKIRSV rates) which are based on the remaining tenor of the securities.

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 Mutual Fund Association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Security and Exchange Commission of Pakistan (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 aforementioned circulars 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 above mentioned 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 provision is also made in accordance with the said circulars and subsequent clarifications.

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.

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

3.1.7 Derecognition

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

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

3.1.8 Offsetting of financial instruments

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

3.2 Unitholders' fund

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

3.3 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer

price represents the net assets value of the units as of the close of that business day plus the allowable sales load, provision for duties and charges and provision for transaction costs, if applicable.

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

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the unitholder's funds in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

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 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.

- 3.7.1** The income of the Fund is exempt from income tax under clause 99 of part I of the second schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 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.

3.8 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) Profit on bank deposits is recognised on time proportion basis using effective yield method.
- (iii) Income on sukuk certificates, placements and government securities is recognised on a time proportionate basis using 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 saving accounts | 4.1 & 4.2 | 3,167,390 | 2,541,500 |
| On current accounts | 4.2 | 9,868 | 2,617 |
| | | <u>3,177,258</u> | <u>2,544,117</u> |

4.1 The balances in saving accounts have an expected profit ranging from 4.00% to 9.27% per annum (2014: 3.72% to 8.25% per annum).

4.2 The balances include Rs. 574.501 million (2014: Rs. 23.240 million) with related party, Meezan Bank Limited, on which average return is earned at 4% (2014: 4.87%) per annum.

| 5. INVESTMENTS | Note | 2015 (Rupees in '000) | 2014 |
|---|------|--------------------------|----------|
| Investments - 'loans and receivables' | 5.1 | 559,000 | - |
| Investments - 'fair value through profit or loss' - Held for trading | 5.2 | 732,766 | - |
| | | <u>1,291,766</u> | <u>-</u> |

5.1 Loans and receivables - Term deposit receipts (TDR)

| Name of the bank | Maturity | Profit rate | As at July 01, 2014 | TDR's placed during the year | Matured during the year | As at June 30, 2015 | Percentage of market value of investments |
|---------------------|-------------------|-------------|---------------------|------------------------------|-------------------------|---------------------|---|
| | | | | | | | |
| Meezan Bank Limited | December 22, 2015 | 6.19 | - | 559,000 | - | 559,000 | 43.27 |
| MCB Bank Limited | November 17, 2014 | 9.00 | - | 300,000 | (300,000) | - | - |
| United Bank Limited | April 7, 2015 | 9.00 | - | 650,000 | (650,000) | - | - |
| United Bank Limited | April 8, 2015 | 9.00 | - | 250,000 | (250,000) | - | - |
| | | | | | | <u>559,000</u> | |

5.2 Fair Value through profit or loss

| Name of the Issuer | Maturity | Profit rate | As at July 01, 2014 | Purchases during the year | Sales / redemptions 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) | Percentage of market value of investments |
|--------------------|----------|-------------|---------------------|---------------------------|-------------------------------------|---------------------|------------------------------------|----------------------------------|--------------------------|---|
| | | | | | | | | | | |

Held for trading

| | | | | | | | | | | |
|-----------------------|-------------------|-----------------------------------|---|-------|-------|-------|---------|---------|-------|-------|
| GoP Ijarah Sukuk - IX | November 21, 2015 | Weighted Average 6 months T-Bills | - | 9,770 | 2,500 | 7,270 | 730,970 | 732,766 | 1,796 | 56.73 |
|-----------------------|-------------------|-----------------------------------|---|-------|-------|-------|---------|---------|-------|-------|

Fair Value through profit or loss upon initial recognition

| | | | | | | | | | | |
|------------------------------|-------------------|--|---|--------|--------|---|---|---|---|---|
| Lalpir Power Limited - Sukuk | February 18, 2015 | 6 months KIBOR plus base rate of 0.30% | - | 53,400 | 53,400 | - | - | - | - | - |
|------------------------------|-------------------|--|---|--------|--------|---|---|---|---|---|

| | | | | | | | | | | |
|---------------------------------|--|--|--|--|--|--|----------------|----------------|--------------|--|
| Total | | | | | | | <u>730,970</u> | <u>732,766</u> | <u>1,796</u> | |
| Total cost of investment | | | | | | | <u>730,970</u> | | | |

6 PROFIT RECEIVABLE

| | Note | 2015 (Rupees in '000) | 2014 |
|---|------|--------------------------|---------------|
| Profit receivable on saving accounts with banks | | 56,324 | 63,959 |
| Profit receivable on Term deposit receipts | | 2,905 | - |
| Profit receivable on GOP ijara - sukuks | | 691 | - |
| | | 59,920 | 63,959 |

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

| | | | |
|--|-----------|---------------|---------------|
| Management Fee | 7.1 | 3,690 | 2,935 |
| Sindh Sales Tax and Federal Excise Duty on Management Fee | 7.2 & 7.3 | 16,115 | 8,733 |
| | | 19,805 | 11,668 |

7.1 Under the provisions of the NBFC Regulations, 2008, 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 years of the Fund's existence, and thereafter, of an amount equal to 2 percent of such assets of the Fund. In accordance with the offering document of the Fund, the remuneration of the Management Company is restricted to 1 percent per annum of average annual net assets of the Fund 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 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 where various options are being considered. In 2014, 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.13.44 million (June 30, 2014 : Rs. 7.01 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. 0.09 per unit (June 30, 2014 : 0.11 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 assets value of the Fund. The tariff structure is as follows:

| Net Assets (Rupees) | Tariff |
|-------------------------|---|
| Up to 1 billion | 0.15% p.a. of net assets |
| 1 billion to 10 billion | Rs. 1.5 million plus 0.075% p.a. of net assets exceeding Rs. 1 billion |
| Over 10 billion | Rs. 8.25 million plus 0.06% p.a. of net assets exceeding Rs. 10 billion |

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

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

10. ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2015 (Rupees in '000) | 2014 |
|-------------------------|------|--------------------------|---------------|
| WWF payable | 14 | 58,585 | 53,767 |
| Withholding tax payable | | 15,913 | 131 |
| Auditors' remuneration | | 295 | 325 |
| Printing expense | | 281 | 362 |
| Zakat payable | | 241 | 5 |
| | | <u>75,315</u> | <u>54,590</u> |

11. CONTINGENCIES AND COMMITMENTS

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

12. NUMBER OF UNITS IN ISSUE

2015
(Rupees in '000)

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 | 60,905,742 | 130,063,253 |
| Units issued during the year | 340,395,838 | 162,030,500 |
| Bonus units issued during the year | - | 7,594,693 |
| Units redeemed during the year | (249,242,670) | (238,782,704) |
| Total units in issue at end of the year | <u>152,058,910</u> | <u>60,905,742</u> |

12.2 The Fund may issue following classes of units:

| Class | Description |
|-------|-------------|
|-------|-------------|

- | | |
|---|--|
| A | Units have been issued to Core Investors with no front-end load and no back-end load. Any bonus units issued for distribution of income shall also be Class A units. |
| B | Units shall be issued to Pre-IPO investors and may be charged with front-end load. |
| C | Units shall be issued after the IPO period and may be charged with front-end load. |
| D | Units shall be issued after the IPO period and may be charged with a back-end load. |

12.3 According to the offering document dated June 5, 2009, 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 unit holders shall also be the growth units; and
- Income units which shall be entitled to dividend in case of any distribution by the Fund.

13. AUDITORS' REMUNERATION

| | 2015 | 2014 |
|-----------------------------------|------------------|------------|
| | (Rupees in '000) | |
| Statutory Audit fee | 175 | 175 |
| Half yearly review | 110 | 110 |
| Other certifications and services | 100 | 100 |
| Out of pocket expenses | - | 96 |
| | 385 | 481 |

14. 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 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 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 SHC.

The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, the Management Company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended June 30, 2015. As at June 30, 2015, the Fund has recognised WWF amounting to Rs. 58.59 million which includes Rs. 4.82 million pertaining to the current year and Rs. 53.77 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.39 (0.78%).

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.

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AI Meezan Investment Management Limited (AI 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, KSE Meezan Index 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 respectively.

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

| | 2015 (Rupees in '000) | 2014 |
|---|--------------------------|--------|
| Al Meezan Investment Management Limited - Management Company | | |
| Remuneration payable | 3,690 | 2,935 |
| Sindh Sales Tax and Federal Excise Duty on management fee payable | 16,115 | 8,733 |
| Investment of 8,185,592 units (June 30, 2014: nil) | 410,098 | - |
| Meezan Bank Limited | | |
| Balances with bank | 574,501 | 23,240 |
| Investment - Term deposit receipts | 559,000 | - |
| Profit receivable on saving account | 236 | 9,781 |
| Central Depository Company of Pakistan Limited | | |
| Trustee fee payable | 338 | 282 |
| Deposit | 100 | 100 |
| Al Meezan Investment Management Limited - Employees' Gratuity Fund | | |
| Investments of 47,160 units (June 30, 2014 : 43,913 units) | 2,363 | 2,199 |
| MFPF - Meezan Capital Preservation Plan - I | | |
| Investments of 1,591,429 units (June 30, 2014 : nil) | 79,731 | - |
| MFPF - Meezan Capital Preservation Plan - II | | |
| Investments of 21,072,974 units (June 30, 2014 : nil) | 1,055,756 | - |
| Meezan Capital Preservation Fund - II | | |
| Investments of 5,570,285 units (June 30, 2014 : nil) | 279,071 | - |
| Meezan Capital Preservation Fund - III | | |
| Investments of 3,016,655 units (June 30, 2014 : nil) | 151,134 | - |

**For the year ended
June 30,**

2015 2014
(Rupees in '000)

Directors and executives of the Management Company

Investments of 76,676 units (June 30, 2014: 25,694 units)

3,841 1,286

AI Meezan Investment Management Limited

- Management Company

Remuneration for the year

39,672 55,992

Sindh Sales Tax and Federal Excise Duty on management fee

13,250 19,053

Units issued: 9,763,501 units (June 30, 2014: nil)

490,098 -

Redemptions: 1,577,909 units (June 30, 2014: nil)

80,679 -

Meezan Bank Limited

Profit on saving account

3,780 112,747

Profit on placement

9,483 -

Central Depository Company of Pakistan Limited

Trustee fee for the year

3,725 4,949

CDS charges

5 5

AI Meezan Investment Management Limited

- Employees' Gratuity Fund

Units issued: 3,247 units (June 30, 2014: nil)

162 -

Bonus units issued: nil (June 30, 2014: 2,895 units)

- 145

MFPP - Meezan Capital Preservation Plan - I

Units issued: 44,048,088 units (June 30, 2014: nil)

2,271,204 -

Redemptions: 42,456,659 units (June 30, 2014: nil)

2,213,310 -

MFPP - Meezan Capital Preservation Plan - II

Units issued: 71,240,338 units (June 30, 2014: nil)

3,754,086 -

Redemptions: 50,167,364 units (June 30, 2014: nil)

2,665,900 -

Meezan Capital Preservation Fund - II

Units issued: 6,984,502 units (June 30, 2014: nil)

367,994 -

Redemptions: 1,414,217 units (June 30, 2014: nil)

76,000 -

Meezan Capital Preservation Fund - III

Units issued: 8,224,039 units (June 30, 2014: nil)

432,531 -

Redemptions: 5,207,384 units (June 30, 2014: nil)

279,300 -

Directors and executives of the Management Company

Units issued: 162,005 units (June 30, 2014: 128,429 units)

8,559 6,434

Redemptions: 111,023 units (June 30, 2014: 576,146 units)

5,799 28,917

Bonus units issued: nil (June 30, 2014: 10,136 units)

- 508

16. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2015 | | | | Total |
|---|-----------------------|---|--|--|------------------|
| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Financial assets categorized as 'available for sale' | Financial liabilities measured at amortized cost | |
| (Rupees in '000) | | | | | |
| On balance sheet - financial assets | | | | | |
| Balances with banks | 3,177,258 | - | - | - | 3,177,258 |
| Investments | 559,000 | 732,766 | - | - | 1,291,766 |
| Receivable on conversion of units | 3,505,115 | - | - | - | 3,505,115 |
| Profit receivable | 59,920 | - | - | - | 59,920 |
| Deposit | 300 | - | - | - | 300 |
| | 7,301,593 | 732,766 | - | - | 8,034,359 |
| On balance sheet - financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | - | - | 19,805 | 19,805 |
| Payable to Central Depository Company - Trustee | - | - | - | 338 | 338 |
| Payable on redemption and conversion of units (net) | - | - | - | 314,563 | 314,563 |
| Brokerage payable | - | - | - | 25 | 25 |
| Dividend payable | - | - | - | 3,820 | 3,820 |
| Accrued expenses and other liabilities | - | - | - | 576 | 576 |
| | - | - | - | 339,127 | 339,127 |
| 2014 | | | | | |
| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Financial assets categorized as 'available for sale' | Financial liabilities measured at amortized cost | Total |
| (Rupees in '000) | | | | | |
| On balance sheet - financial assets | | | | | |
| Balances with banks | 2,544,117 | - | - | - | 2,544,117 |
| Receivable against Bai Muajjal | 530,078 | - | - | - | 530,078 |
| Profit receivable | 63,959 | - | - | - | 63,959 |
| Deposit | 100 | - | - | - | 100 |
| | 3,138,254 | - | - | - | 3,138,254 |
| On balance sheet - financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited- Management Company | - | - | - | 11,668 | 11,668 |
| Payable to Central Depository Company - Trustee | - | - | - | 282 | 282 |
| Payable on redemption and conversion of units (net) | - | - | - | 18,367 | 18,367 |
| Accrued expenses and other liabilities | - | - | - | 687 | 687 |
| | - | - | - | 31,004 | 31,004 |

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, currency 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 SECP.

Risks managed and measured by the Fund are explained below:

17.1 Market risk

17.1.1 Interest rate risk

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

Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in saving accounts, investment in debt securities and Term deposits receipts.

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. 44.592 million (2014: Rs 25.415 million) mainly as a result of finance income.

17.1.2 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of a change in market price (other than Currency risk or Interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instrument traded in the market. The Fund, at present is not exposed to price risk as at June 30, 2015 as it does not invest in equity securities.

17.1.3 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.

17.2 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 Term deposit receipts with banks, deposits with banks, profit receivable and investments in debt securities. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. 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 fund receives a monthly rating update, against which investments are reviewed. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund further minimises 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) | |
| Financial assets | | |
| Balances with banks | 3,177,258 | 2,544,117 |
| Investments | 1,291,766 | - |
| Receivable against Bai Muajjal | - | 530,078 |
| Receivable on conversion of units | 3,505,115 | - |
| Profit receivable | 59,920 | 63,959 |
| Deposit | 300 | 100 |
| | 8,034,359 | 3,138,254 |

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

| | 2015 | 2014 |
|-----|-----------------|--------|
| | (%) | |
| AAA | 28.89 | 39.92 |
| AA+ | 64.66 | 58.94 |
| AA | 6.45 | 1.14 |
| | 100.00 | 100.00 |

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. The issuer of the sukuk, however, pledges security with 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 counterparties on their obligations to the Fund.

17.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder's redemptions at any time. 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. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In accordance with the regulation 58(1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of 15 percent of the net assets. However, no such borrowing has been obtained during the year.

Further, the Fund is also allowed, as per regulation 57(10) of the NBFC Regulations, 2008, to defer redemption request to next dealing day, had such requests exceed 10 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 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 addition to Unitholders' fund, analysis of the financial liabilities into relevant maturity grouping as at June 30, 2015, alongwith 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 | 19,805 | - | - | - | 19,805 |
| Payable to Central Depository Company - Trustee | 338 | - | - | - | 338 |
| Payable on redemption and conversion of units | 314,563 | - | - | - | 314,563 |
| Brokerage payable | 25 | - | - | - | 25 |
| Dividend payable | 3,820 | - | - | - | 3,820 |
| Accrued expenses and other liabilities | 576 | - | - | - | 576 |
| | 339,127 | - | - | - | 339,127 |
| | 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 | 11,668 | - | - | - | 11,668 |
| Payable to Central Depository Company - Trustee | 282 | - | - | - | 282 |
| Payable on redemption and conversion of units | 18,367 | - | - | - | 18,367 |
| Accrued expenses and other liabilities | 687 | - | - | - | 687 |
| | 31,004 | - | - | - | 31,004 |

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

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

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

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

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

19. 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 Fund does not hold any securities that are based on quoted market prices.

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 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 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 (that is, unobservable inputs).

19.1 The following table presents the asset that are measured at fair value as at June 30, 2015.

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------------------------|-----------------------|----------------|-----------------------|
| | (Rupees in '000)..... | | | |
| Assets | | | | |
| Investments - 'at fair value through profit or loss' | | | | |
| Financial assets designated as 'at fair value through profit or loss' | | | | |
| - Debt securities | - | 732,766 | - | 732,766 |
| | <u>-</u> | <u>732,766</u> | <u>-</u> | <u>732,766</u> |

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

There were no assets that were measured at fair value as at June 30, 2014.

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 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.

| 21. PERFORMANCE TABLE | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|---------------------|-----------------|-------------------|------------------|------------------|-----------------|-------------------|
| Net assets (Rs '000) (ex-distribution) | 7,617,739 | 3,049,366 | 6,510,774 | 7,418,771 | 5,955,829 | 5,224,268 | 623,857 |
| Net Income (Rs '000) | 236,099 | 380,396 | 568,571 | 708,427 | 623,075 | 418,517 | 2,050 |
| Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution) * | 50.10 | 50.07 | 50.06 | 50.08 | 50.03 | 50.00 | 50.01 |
| Offer price per unit as at June 30 (Rs) (ex-distribution) * | 50.10 | 50.07 | 50.06 | 50.08 | 50.03 | 50.00 | 50.01 |
| Distribution (%) | | | | | | | |
| - First interim distribution | 7.40 | 0.54 | 0.60 | 1.70 | 2.45 | 3.50 | - |
| - Second interim distribution | - | 0.60 | 1.00 | 0.90 | 2.50 | 3.00 | - |
| - Third interim distribution | - | 0.60 | 0.76 | 0.88 | 2.70 | - | - |
| - Fourth interim distribution | - | 0.64 | 0.84 | 0.98 | 1.70 | - | - |
| - Fifth interim distribution | - | 0.54 | 0.72 | 0.80 | - | - | - |
| - Sixth interim distribution | - | 0.60 | 0.64 | 0.86 | - | - | - |
| - Seventh interim distribution | - | 0.60 | 0.72 | 0.88 | - | - | - |
| - Eighth interim distribution | - | 0.60 | 0.64 | 0.80 | - | - | - |
| - Ninth interim distribution | - | 0.60 | 0.62 | 0.80 | - | - | - |
| - Tenth interim distribution | - | 0.52 | 0.68 | 0.90 | - | - | - |
| - Eleventh interim distribution | - | 0.48 | 0.60 | 0.64 | 1.16 | 3.38 | 0.30 |
| - Twelfth interim distribution (Final distribution) | - | 0.52 | 0.66 | - | - | - | - |
| Dates of distribution | | | | | | | |
| - First interim distribution | Jun 26, 2015 | Jul 23, 2013 | Jul 22, 2012 | Aug 23, 2011 | Sep 30, 2010 | Jan 04, 2010 | - |
| - Second interim distribution | - | Aug 22, 2013 | Aug 22, 2012 | Sep 23, 2011 | Dec 31, 2010 | Apr 02, 2010 | - |
| - Third interim distribution | - | Sep 20, 2013 | Sep 20, 2012 | Oct 20, 2011 | Mar 29, 2011 | - | - |
| - Fourth interim distribution | - | Oct 23, 2013 | Oct 22, 2012 | Nov 22, 2011 | May 23, 2011 | - | - |
| - Fifth interim distribution | - | Nov 21, 2013 | Nov 22, 2012 | Dec 21, 2011 | - | - | - |
| - Sixth interim distribution | - | Dec 24, 2013 | Dec 20, 2012 | Jan 22, 2012 | - | - | - |
| - Seventh interim distribution | - | Jan 24, 2014 | Jan 22, 2013 | Feb 22, 2012 | - | - | - |
| - Eighth interim distribution | - | Feb 24, 2014 | Feb 21, 201 | Mar 19, 2012 | - | - | - |
| - Ninth interim distribution | - | Mar 24, 2014 | Mar 22, 2013 | Apr 22, 2012 | - | - | - |
| - Tenth interim distribution | - | Apr 24, 2014 | Apr 23, 2013 | May 22, 2012 | - | - | - |
| - Eleventh interim distribution | - | May 23, 2014 | May 23, 2013 | Jun 21, 2012 | Jun 28, 2011 | Jul 7, 2010 | Jul 6, 2009 |
| - Twelfth interim distribution (Final distribution) | - | Jun 24, 2014 | Jun 24, 2013 | - | - | - | - |
| Income distribution (Rupees in '000) | 231,767 | 133 | 127 | 125,485 | 50,126 | 12,104 | - |
| Growth distribution (Rupees in '000) | - | 379,647 | 570,545 | 576,365 | 569,253 | 406,583 | 1,865 |
| Highest offer price per unit (Rs.) | 53.72 | 50.35 | 50.51 | 50.86 | 51.69 | 52.48 | 50.16 |
| Lowest offer price per unit (Rs.) | 50.04 | 50.00 | 50.00 | 50.01 | 50.01 | 50.11 | 50.00 |
| Highest redemption price per unit (Rs.) | 53.72 | 50.35 | 50.51 | 50.86 | 51.69 | 52.48 | 50.16 |
| Lowest redemption price per unit (Rs.) * | 50.04 | 50.00 | 50.00 | 49.96 | 50.01 | 50.11 | 50.00 |
| Total return (%) | 7.46 | 7.08 | 8.78 | 10.55 | 11.03 | 10.10 | 10.62 |
| | One Year | Two Year | Three Year | Four Year | Five Year | Six Year | Seven Year |
| Average annual return (%) as at June 30, 2015 | 7.46 | 7.27 | 7.74 | 8.37 | 8.85 | 9.05 | 9.26 |

* Back end load will apply as per the requirements of the offering document of the Fund.

Investment portfolio composition of the Fund

The Fund is a money market fund as per the categorisation of open end collective investment scheme defined in Circular 7 of 2009 dated March 6, 2010. Investment avenues for money market fund as defined in the said circular are restricted to government securities, debt securities, cash and near cash instruments which includes cash in bank accounts (excluding term deposit receipts), treasury bill, money market placements, deposits, certificate of deposits (COD), certificate of Musharakas (COM), commercial paper and reverse repo. The Fund has, therefore, placed all its assets in saving accounts and placements with banks and has invested in debt securities as disclosed 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.

22. INVESTMENT COMMITTEE MEMBERS

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

| Name | Designation | Qualification | Experience in years |
|---------------------|--------------------------|--------------------|---------------------|
| Mr. Mohammad Shoaib | Chief Executive Officer | CFA / MBA | Twenty five years |
| Mr. Muhammad Asad | Chief Investment Officer | CFA level II / MBA | Nineteen years |
| Ms. Sanam Ali Zaib | Head of Research | CFA / MBA | Eleven years |
| Mr. Asif Mobin | VP Investments | MBA | Seventeen Years |
| Mr. Ahmed Hasan | 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 |

22.2 The Fund manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund manager are:

- Meezan Islamic Income Fund
- Meezan Sovereign Fund

23. BROKERAGE COMMISSION BY PERCENTAGE

| Broker's Name | 2015 | 2014 |
|----------------------------------|--------------|------------|
| | (Percentage) | |
| C&M Management (Private) Limited | - | 100 |
| JS Global Capital | 100 | - |
| | <u>100</u> | <u>100</u> |

24. PATTERN OF UNIT HOLDING

| | As at June 30, 2015 | | |
|----------------------------------|---------------------|---------------------------------------|-------------------------------------|
| | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment % |
| Individuals | 3,109 | 3,048,320 | 40.00 |
| Associated companies / directors | 9 | 1,978,768 | 25.98 |
| Insurance companies | 16 | 840,988 | 11.04 |
| Banks / DFIs | 1 | 8 | - |
| Retirement Funds | 32 | 139,868 | 1.84 |
| Public limited companies | 4 | 129,894 | 1.71 |
| Others | 61 | 1,479,893 | 19.43 |
| Total | <u>3,232</u> | <u>7,617,739</u> | <u>100.00</u> |

| | As at June 30, 2014 | | |
|----------------------------------|---------------------|---------------------------------------|----------------------------------|
| | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment % |
| Individuals | 2,573 | 1,984,787 | 65.09 |
| Associated companies / directors | 4 | 3,141 | 0.10 |
| Insurance companies | 10 | 159,387 | 5.23 |
| Banks / DFIs | 2 | 100,082 | 3.28 |
| Retirement Funds | 29 | 90,611 | 2.97 |
| Public limited companies | 6 | 244,197 | 8.01 |
| Others | 42 | 467,161 | 15.32 |
| Total | 2,666 | 3,049,366 | 100.00 |

25. 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. P. Ahmed | Director | Yes | Yes | Yes | No | Yes |
| Mr. Moin M Fudda | Director | Yes | Yes | Yes | Yes | No |
| Mr. Tasnimul Haq Farooqui | Director | Yes | Yes | No | Yes | No |
| Mr. Mazhar Sharif | Director | No | Yes | Yes | No | Yes |
| Mr. Atif Azim | Director | Appointed w.e.f December 31, 2014 | | Yes | Yes | 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 |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |


26. SUBSEQUENT EVENTS

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 | % |
|---|--------------------|---------------|
| Associated Companies | | |
| Al Meezan Investment Management Limited | 8,185,592 | 5.38 |
| Al Meezan Investment Management Limited - Employees Gratuity Fund | 47,160 | 0.03 |
| MFPF - Meezan Capital Preservation Plan - I | 1,591,429 | 1.05 |
| MFPF - Meezan Capital Preservation Plan - II | 21,072,974 | 13.86 |
| Meezan Capital Preservation Fund - II | 5,570,285 | 3.66 |
| Meezan Capital Preservation Fund - III | 3,016,655 | 1.98 |
| Chief Executive | | |
| Mr. Mohammad Shoaib, CFA | 1,613 | 0.00 |
| Directors | | |
| Mr. Mazhar Shareef | 4,170 | 0.00 |
| Mr. Tasnimul Haq Farooqui | 11,864 | 0.01 |
| Executives | 76,676 | 0.05 |
| Banks and financial institutions | 168 | 0.00 |
| Individuals | 60,771,339 | 39.97 |
| Retirements funds | 2,791,930 | 1.84 |
| Private limited companies | 2,592,687 | 1.71 |
| Other corporate sector entities | 46,324,368 | 30.46 |
| Total | 152,058,910 | 100.00 |



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UAN: 111-633-926 (Meezan) | info@almeezangroup.com | Fax: (92-21) 35676143

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