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Annual Report 2015





Al Meezan Investment Management Ltd.

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Vision

To make Shariah compliant investing a first choice for investors.

Mission

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

Corporate Information

PENSION FUND MANAGER

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

FUND INFORMATION

BOARD OF DIRECTORS OF THE PENSION FUND MANAGER

Mr. 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. Moharnmad Shoaib, CFA	Chief Executive	
Syed Amir Ali Zaidi	Non-executive	

CFO & COMPANY SECRETARY OF THE PENSION FUND MANAGER

Syed Owais Wasti

AUDIT COMMITTEE

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

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. 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 TOTHE FUND

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

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10. Beaumont Road, Civil Lines. Karachi - 75530
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E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

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SITE Branch
Plot # B/9-C, Estate Avenue, SITE, Karachi.
Phone: (9221) 3206 2891 Fax: 3255 2771
Website: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE DIRECTORS OF THE PENSION FUND MANAGER

The Board of Directors of Al Meezan Investment Management Limited, the pension fund manager of Meezan Tahaffuz Pension Fund (MTPF) is pleased to present the audited financial statements of the fund for the year ended June 30, 2015.

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.

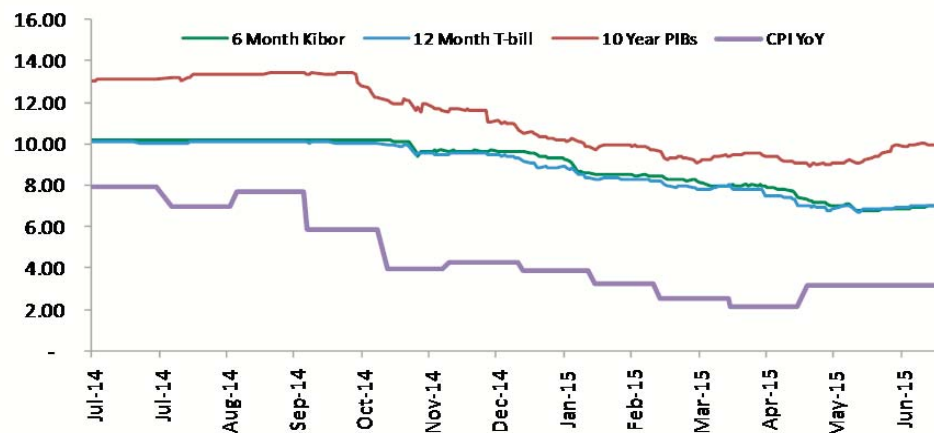
Amid historically low discount rate, receding inflation, improvement in external account, declining fiscal deficit and ground-breaking agreement with China over CPEC, the economic situation seems ripe for take-off. Low oil prices, along with improvements in energy sector will provide impetus for industrial 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 moped 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:



Equity Market Review

FY15 saw a reasonable performance of the benchmark index (KMI-30), which closed 20% up at 57,271 points. During the same period, the KSE 100 index also continued its rising trend and closed 16% up at 34,398 pts. The first half of this fiscal year witnessed some concerns on the political front with PTI and PAT initiating a planned protest March in Islamabad on August 14, 2014 against alleged rigging in the country's latest general elections; the stock market reacted accordingly to the heightened political noise and KMI-30 dropped to its lowest level (during FY'15) of 45,236 pts. These protests were ultimately called off with the brutal December 2014 terrorist attack in Peshawar, to which the government and the armed forces responded strongly in the form of a targeted military operation and lifting of the ban on capital punishment. This had in turn given rise to fears of revocation of Pakistan's GSP Plus status by the European Union but improving macro-economic fundamentals with receding inflation, falling oil prices and up-gradation in the country's sovereign rating by international rating agencies, outweighed the drags caused by these fears and political noise, ultimately aiding the stock market to close in green at the end of December 2014. However, the start of CY 2015 saw the stock market take massive short term corrections and resultantly KMI-30, which had gained 6.2% and reached 53,902 pts. in January 2015 alone, dropped by a cumulative 15.5% during the next two months. This massive decline is attributable to a host of factors including liquidation of a foreign fund, selling by local capital protected/preservation funds seeking to rebalance their portfolios in a declining equity market, amendments in capital gains tax regime for foreign investors and regulatory instructions to regularize market practices relating to segregation of clients' assets and in-house financing.

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

Equity Flows

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

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

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

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

Sector Performance

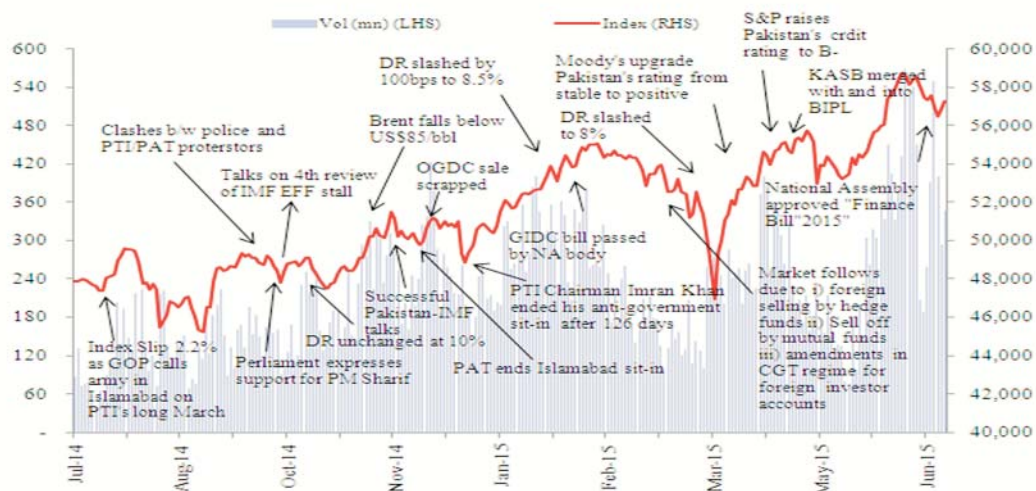
Overall, automobiles turned out to be the best performing sector during the period under review, up 92% mainly on the back of weakening yen and launch of new models (Toyota). Electricity was also up 62% up based on attractive yields due to falling oil prices. Chemicals increased by 42%, construction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

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

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

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

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



Mutual Fund Sector Review

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

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

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

Performance Review

For the period under review, the equity sub-fund provided a return of 26.57%, while the debt and money market sub-funds provided annualized returns of 6.43% and 6.87% respectively.

Equity Sub Fund

Equity sub fund posted a total income of Rs. 537 million in the fiscal year 2015 as compared to Rs. 431 million last year. Total income comprised of realized and unrealized gain on investments of Rs. 344 million and Rs. 4,144 million respectively. Dividend income contributed Rs. 83 million, while profit on savings account with banks amounted to Rs. 6 million. After accounting for expenses of Rs. 59 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 988 million, the Fund posted a net income of Rs. 575 million. The net assets of the Fund as at June 30, 2015 were Rs. 2,740 million as compared to Rs. 1,537 million at the end of last year. The net asset value per unit as at June 30, 2015 was Rs. 416.67 as compared to Rs.329.21 per unit as on June 30, 2014.

Debt Sub Fund

The Fund earned a gross income of Rs. 104 million, which was primarily due to profit on Sukuks certificates amounting worth Rs. 94 million. Profit on saving accounts at Islamic banks including profit on term deposit receipts contributed Rs. 15 million. On the other side, the fund incurred realized and unrealized loss worth Rs. 3.56 million and 1.86 million respectively. The fund also incurred expenses totalling to Rs. 28 million and element of gain and capital gains included in prices of units issued and less those in units redeemed of Rs. 11 million, which brought the net income figure to Rs. 87 million. The net assets of the Fund as at June 30, 2015 were Rs. 1,399 million as compared to Rs. 1,047 million at the end of last year. The net asset value per unit as at June 30, 2015 was Rs. 195.69 as compared to Rs.183.87 per unit as on June 30, 2014.

Money Market Sub Fund

The Fund earned a gross income of Rs. 29 million, which was primarily due to profit on Sukuks certificates amounting worth Rs. 24 million. Profit on saving accounts at Islamic banks amounting to Rs. 4.80 million. The fund also incurred expenses totalling to Rs. 7.53 million and element of gain and capital gains included in prices of units issued and less those in units redeemed of Rs. 0.18 million, which brought the net income figure to Rs. 22 million. The net assets of the Fund as at June 30, 2015 were Rs. 0.33 million as compared to Rs. 0.29 million at the end of last year. The net asset value per unit as at June 30, 2015 was Rs. 195.36 as compared to Rs. 182.80 per unit as on June 30, 2014.

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.

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

Mohammad Shoaib, CFA
Chief Executive Officer

Date: September 8, 2015
Karachi.

Head Office

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TRUSTEE REPORT TO THE PARTICIPANTS

MEEZAN TAHAFFUZ PENSION FUND

Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Tahaffuz Pension Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.


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

Karachi, September 23, 2015



Meezan Bank
The Premier Islamic Bank

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

July 31, 2015/Shawwal 14, 1436

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

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

- i. We have reviewed and approved the modes of investments of MTPF in light of *Shari'ah* requirements. Following is the list of investments of MTPF as on June 30, 2015 and their evaluation according to the screening criteria established by us. (December 31, 2014 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation Ltd	Fertilizer	31.09	13.35	1.45	71.00	(-165.63)	221.51
Hub Power Co Ltd	Power Generation and Distribution	20.94	0.04	0.06	30.00	5.42	78.36
Lucky Cement	Cement	13.24	0.00	0.85	82.00	(55.52)	500.28
Pakistan State Oil Ltd	Oil and Gas Marketing Companies	34.69	13.01	0.87	21.30	18.90	357.91

Page 1 of 2

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	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Fauji Cement Co. Ltd	Cement	25.94	0.00	0.70	89.00	(7.93)	25.84
Packages Ltd	Paper and Board	10.37	15.00	0.15	75.00	39.91	678.29
Ferozsons Lab Ltd	Pharmaceuticals	0.00	11.23	7.00	74.00	9.01	571.31
Pak Elektron Ltd	Cable and Electric Goods	36.87	0.24	0.07	66.00	(35.63)	40.93
Engro Foods Ltd	Food and Personal Care Products	34.09	0.00	0.03	80.00	(11.61)	108.54
Indus Motors Company Ltd	Automobile Assembler	0.00	12.54	2.09	33.00	82.63	880.32

* These ratios are for the calculation of non-*Shari'ah* Compliant Element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

** All interest based debts.

- ii. On the basis of information provided by the management, all operations of MTPF for the year ended June 30, 2015 have been in compliance with the *Shari'ah* principles.

In light of the above, we hereby certify that all the provisions of the Scheme and investments made on account of MTPF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

During the year a provision of Rupees 1.24 million was created and an amount of Rupees 1.78 million was available for disbursement as of June 30, 2015.

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

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

Independent Auditors' Report to the Participants of Meezan Tahaffuz Pension Fund

We have audited the annexed financial statements comprising:

- i) Balance Sheet;
- iii) Income Statement and Statement of Comprehensive Income;
- iv) Cash Flow Statement; and
- v) Statement of Movement in Participants' Fund

of **Meezan Tahaffuz Pension Fund** ("the Fund") as at 30 June 2015 and for the year then ended together with the notes forming part thereof.

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

We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

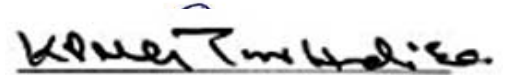
In our opinion:

- (a) the financial statements as at 30 June 2015 and for the year then ended have been properly drawn in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines there under;
- (b) the financial statements give a true and fair view of the financial position of the Fund as at June 30, 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;
- (c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- (d) the cost and expenses debited to the pension fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the pension fund;
- (e) the financial statements prepared are in agreement with the pension fund's books and records;

- (f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- (g) Zakat deductible at source under the Zakat and Usher Ordinance, 1980 was deducted by the Fund and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date: 8 September 2015

Karachi



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

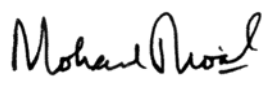
BALANCE SHEET

AS AT JUNE 30, 2015

	Note	2015				2014
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
----- (Rupees in '000) -----						
Assets						
Bank balances	4	133,107	265,342	56,567	455,016	281,259
Investments (net)	5	2,612,251	1,142,026	285,754	4,040,031	2,591,331
Receivable against sale of investments		20,898	-	-	20,898	26,342
Dividend receivable		4,061	-	-	4,061	1,223
Profit receivable	6	2,344	13,042	2,460	17,846	19,133
Deposit with Central Depository Company of Pakistan Limited (CDC) - Trustee		100	100	100	300	300
Receivable against change of plan / change of fund manager		41,486	-	-	41,486	-
Total assets		2,814,247	1,420,510	344,881	4,579,638	2,919,588
Liabilities						
Payable to AI Meezan Investment Management Limited (AI Meezan) - pension fund manager	7	11,694	7,081	2,001	20,776	8,954
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	246	127	32	405	264
Payable to auditors		72	72	72	216	201
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	657	399	107	1,163	713
Payable against purchase of investments		33,365	-	-	33,365	-
Payable against withdrawal / payable against change of plan	10	2,670	10,382	3,804	16,856	10,520
Accrued expenses and other liabilities		25,395	3,877	1,064	30,336	15,610
Total liabilities		74,099	21,938	7,080	103,117	36,262
Net assets		2,740,148	1,398,572	337,801	4,476,521	2,883,326
Contingencies and commitments 11						
Participants' sub-funds (as per statement attached)		2,740,148	1,398,572	337,801	4,476,521	2,883,326
----- (Number of units) -----						
Number of units in issue (as per statement attached)		6,576,270	7,146,942	1,729,099		
----- (Rupees) -----						
Net assets value per unit		416.67	195.69	195.36		

The annexed notes from 1 to 21 form an integral part of these financial statements.

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


Mohammad Shoib, CFA
Chief Executive

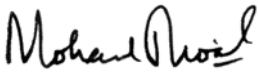

Mazhar Sharif
Director

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015				2014
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
(Rupees in '000)						
Income						
Profit from sukuk certificates		-	94,122	24,278	118,400	67,517
Profit on saving accounts with banks		6,048	7,077	4,801	17,926	34,230
Profit on term deposit receipts		-	8,147	-	8,147	-
Dividend income		83,044	-	-	83,044	49,275
Unrealised appreciation / (diminution) on re-measurement of investments at 'fair value through profit or loss' (net)	5.1, 5.2 & 5.3.2	413,933	(1,867)	(82)	411,984	215,815
Net realised gain / (loss) on sale of investments		33,649	(3,568)	67	30,148	66,017
Reversal / (provision) against Sukuk Certificates	5.3.2.5	-	8	8	16	(2,050)
Total income		536,674	103,919	29,072	669,665	430,804
Expenses						
Remuneration to Al Meezan Investment Management Limited - Pension Fund Manager	7.1	29,578	17,952	4,826	52,356	32,059
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	9,879	5,996	1,612	17,487	10,924
Remuneration of Central Depository Company of Pakistan Limited (CDC) - Trustee	8	2,253	1,369	368	3,990	2,627
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	657	399	107	1,163	713
Auditors' remuneration	13	120	120	120	360	360
Amortisation of premium		-	-	-	-	66
Brokerage		3,588	74	17	3,679	2,301
Settlement and bank charges		196	64	41	301	114
Charity expense		1,241	-	-	1,241	866
Provision for Workers' Welfare Fund (WWF)	12	11,739	1,779	443	13,961	9,581
Total expenses		59,251	27,753	7,534	94,538	59,611
Net income from operating activities		477,423	76,166	21,538	575,127	371,193
Element of income and capital gains included in prices of units issued less those in units redeemed - net		97,776	10,988	183	108,947	98,243
Net income for the year		575,199	87,154	21,721	684,074	469,436
Taxation	20	-	-	-	-	-
Net income for the year after taxation		575,199	87,154	21,721	684,074	469,436
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 investment classified as "available for sale"	5.4.1	-	(832)	-	(832)	1,227
Total comprehensive income for the year		575,199	86,322	21,721	683,242	470,663

The annexed notes from 1 to 21 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director

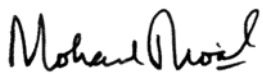
CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	2015				2014
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	(Rupees in '000)				
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the year	575,199	87,154	21,721	684,074	469,436
Adjustments for					
Unrealised (gain) / loss on re-measurement of investments at 'fair value through profit or loss'	5.1, 5.2 & 5.3.2 (413,933)	1,867	82	(411,984)	(215,815)
Reversal / (provision) against Sukuk Certificates	5.3.2.5 -	(8)	(8)	(16)	2,050
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(97,776)	(10,988)	(183)	(108,947)	(98,243)
	63,490	78,025	21,612	163,127	157,428
(Increase) / decrease in assets					
Investment (net)	(771,483)	(202,283)	(63,766)	(1,037,532)	(831,597)
Receivable against sale of investments	5,444	-	-	5,444	(26,342)
Dividend receivable	(2,838)	-	-	(2,838)	(758)
Profit receivable	(774)	757	1,304	1,287	2,064
	(769,651)	(201,526)	(62,462)	(1,033,639)	(856,633)
Increase / (decrease) in liabilities					
Payable against purchase of investments	33,365	-	-	33,365	(14,985)
Payable to Al Meezan - pension fund manager	7,044	3,819	959	11,822	6,409
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	103	33	5	141	78
Payable to Securities and Exchange Commission of Pakistan (SECP)	300	137	13	450	319
Accrued expenses and other liabilities	12,495	1,796	450	14,741	9,868
	53,307	5,785	1,427	60,519	1,689
Net cash used in from operating activities	(652,854)	(117,716)	(39,423)	(809,993)	(697,516)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipts of contribution	1,129,539	642,794	156,548	1,928,881	1,490,598
Payments on withdrawal	(447,925)	(360,515)	(136,691)	(945,131)	(716,797)
Net cash generated from financing activities	681,614	282,279	19,857	983,750	773,801
Net cash generated from / (used in) during the year	28,760	164,563	(19,566)	173,757	76,285
Cash and cash equivalents at beginning of the year	104,347	100,779	76,133	281,259	204,974
Cash and cash equivalents at end of the year	4 133,107	265,342	56,567	455,016	281,259

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoab, CFA
Chief Executive


Mazhar Sharif
Director

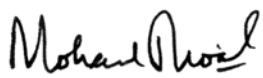
MOVEMENT IN PARTICIPANTS' SUB FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	2015				2014
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total
	(Rupees in '000)				
Net assets at beginning of the year	1,537,033	1,047,167	299,126	2,883,326	1,747,336
Amount received on issue of units (2015: Equity sub fund: 3,094,884 units; Debt sub fund: 3,378,467 units; Money market sub fund: 828,094 units) (2014: Equity sub fund: 2,303,817 Debt sub fund: 3,276,636 units; Money market sub fund: 1,149,015 units)	1,171,025	642,794	156,548	1,970,367	1,490,598
Amount paid on redemption of units (2015: Equity sub fund: 1,187,535 units; Debt sub fund: 1,926,542 units; Money market sub fund: 735,346 units) (2014: Equity sub fund: 871,253 units; Debt sub fund: 1,333,214 units; Money market sub fund: 1,282,372 units)	(445,333)	(366,723)	(139,411)	(951,467)	(727,028)
	725,692	276,071	17,137	1,018,900	763,570
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(97,776)	(10,988)	(183)	(108,947)	(98,243)
Net realised gain / (loss) on sale of investments	33,649	(3,568)	67	30,148	66,017
Unrealised appreciation / (diminution) on re-measurement of investments (net)	413,933	(2,699)	(82)	411,152	217,042
Other net comprehensive income for the year	127,617	92,589	21,736	241,942	187,604
Total comprehensive income for the year	575,199	86,322	21,721	683,242	470,663
Net assets at end of the year	2,740,148	1,398,572	337,801	4,476,521	2,883,326

The annexed notes from 1 to 21 form an integral part of these financial statements.

For AI Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoab, CFA
Chief Executive


Mazhar Sharif
Director

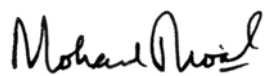
CONTRIBUTION TABLE

FOR THE YEAR ENDED JUNE 30, 2015

Contributions net of front end fee received during the year	2015						2014	
	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund		Total (Rupees in '000)	
	Units	Rs in '000	Units	Rs in '000	Units	Rs in '000		
Individuals - issue of units	<u>3,094,884</u>	<u>1,171,025</u>	<u>3,378,467</u>	<u>642,794</u>	<u>828,094</u>	<u>156,548</u>	<u>1,970,367</u>	<u>1,490,598</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Pension Fund Manager)



Mohammad Shoaib, CFA
Chief Executive



Mazhar Sharif
Director

NUMBER OF UNITS IN ISSUE


FOR THE YEAR ENDED JUNE 30, 2015

	2015		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
	-----Number of units-----		
Total units outstanding at beginning of the year	4,668,921	5,695,017	1,636,351
Add: Units issued / converted / reallocated during the year	3,094,884	3,378,467	828,094
Less: Units redeemed / converted / reallocated during the year	(1,187,535)	(1,926,542)	(735,346)
Total units in issue at end of the year	<u><u>6,576,270</u></u>	<u><u>7,146,942</u></u>	<u><u>1,729,099</u></u>

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

The annexed notes from 1 to 21 form an integral part of these financial statements.

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


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 Tahaffuz Pension Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as pension fund manager and Central Depository Company of Pakistan Limited (CDC) as trustee. The Trust Deed was executed and approved by the SECP on May 30, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). The registered office of the pension fund manager of the Fund, is situated at Ground Floor, Block B Finance and Trade Centre Sharah-e-Faisal, Karachi 74400, Pakistan.

The Fund offers a saving mechanism where an individual saves from his / her income during work life in order to retain financial security and comfort in terms of regular income stream after retirement. The Fund comprises of three Shariah compliant sub funds namely Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund (collectively the "Sub-Funds"). Participants are offered various investment allocation schemes depending on their investment horizon, return requirements, risk tolerance and any unique circumstances. The Fund offers six types of allocation schemes to the contributors of the Fund namely High Volatility, Medium Volatility, Low Volatility, Lower Volatility, Variable Volatility and Life Cycle Allocation. The participants of the Fund voluntarily determine the contribution amount, subject to the minimum limit fixed by the Pension Fund Manager. Allocation scheme can be selected initially at the time of opening of account and subsequently the allocation and percentages may change twice in a financial year. The contributions from participants are invested in various instruments belonging to different asset classes to get full benefits of risk minimization through diversification.

- 1.2 Summary of significant investment policy for each of the Sub-Fund is as follows:

- The Equity Sub-Fund shall invest atleast 90% of net assets in listed equity securities based on quarterly average investment calculated on daily basis. Investment in single company shall not exceed 10% of NAV or paid-up capital of the investee company, whichever is lower. Surplus funds may be invested in Government Securities with maturity of less than one year or deposits with Banks which are rated not less than "A" by a rating agency registered with the Commission.
- The Debt Sub-Fund shall consist of debt securities with maturity of not more than 5 years. At least 25% net assets of the Debt Sub-Fund shall be invested in debt securities issued by the Federal Government. However, if such shariah compliant securities are not available, the assets of shariah compliant Debt Sub Fund may be deposited in Islamic Commercial Banks, having not less than "A+" rating. Up to 25% of net assets of Debt Sub-Fund may be deposited with Banks having rating of not less than "AA Plus".
- The Money Market Sub-Fund consists of short term debt instruments with weighted average maturity upto one year. Shariah Compliant Money Market Sub Fund can invest in shariah compliant government securities where the time to maturity may be upto three years.

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

- 1.4 The Fund is an unlisted pension scheme. Units are offered for public subscription on a continuous basis. The units are non-transferable and can be redeemed by surrendering them to the Fund at the option of the participants.
- 1.5 Title to the assets of the Sub Funds are held in the name of CDC as a Trustee of the Fund.
- 1.6 JCR-VIS Credit Rating Company Limited has assigned management quality rating of 'AM2+' to the Pension Fund Manager.

2. BASIS OF PRESENTATION

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisor are accounted for on substance rather than the form prescribed by the aforementioned guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

2.1 Statement of compliance

These financial statements of the Fund have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the VPS Rules and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the VPS Rules or the said directives differ with requirements of IFRSs, the requirements of the VPS Rules and the said directives issued by the SECP 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'.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

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

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Impairment of financial instruments (note 3.1.6);
- c) Recognition of provision for Workers' Welfare Fund (note 12); and
- d) Taxation (note 3.6 and 20)

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 investee should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments

in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Fund's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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 applied consistently 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.

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

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

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

3.1.5 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds 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 Securities 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 circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the 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.

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 equity securities:

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

3.1.6 Impairment

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

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 Participants' fund

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

3.3 Issuance, allocation, reallocation and redemption of units

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

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

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

3.4 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.

3.5 Net assets value per unit of each sub-fund

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

3.6 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.

3.6.1 The income of the Fund is exempt from income tax under clause 57(3)(viii) of part I of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision has been made for current and deferred taxation in these financial statements.

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 and any other taxes introduced in Finance Act, 2015 is also not applicable on the Fund.

3.7 Revenue recognition

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

3.8 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.

3.9 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.

3.10 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.

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the participants' funds in a separate account. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.12 Distribution

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

2015				2014
Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total

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

4. BANK BALANCES

On Current accounts		1,512	-	-	1,512	837
On Savings accounts	4.1	131,595	265,342	56,567	453,504	280,422
		133,107	265,342	56,567	455,016	281,259
		<u>2,612,251</u>	<u>1,142,026</u>	<u>285,754</u>	<u>4,040,031</u>	<u>2,591,331</u>

- 4.1 The balances in savings accounts carry expected profit which ranges from 4.00% to 9.27% (2014: 3.72% to 9.20%) per annum.

2015				2014
Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Total

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

5. INVESTMENTS (net)

Held-for-trading

- shares of listed companies	5.1	2,592,216	-	-	2,592,216	1,426,835
- sukuk certificates	5.2	-	887,038	285,754	1,172,792	1,088,026
		2,592,216	887,038	285,754	3,765,008	2,514,861

Investments designated at 'fair value through profit or loss upon initial recognition'

	5.3	20,035	53,350	-	73,385	-
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Available-for-sale

- sukuk certificates	5.4	-	75,638	-	75,638	76,470
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Loans and receivables

	5.5	-	126,000	-	126,000	-
		<u>2,612,251</u>	<u>1,142,026</u>	<u>285,754</u>	<u>4,040,031</u>	<u>2,591,331</u>

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

Name of the investee company	As at July 1, 2014	Purchase during the year	Cost of purchase	Bonus / right issue	Sales during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain / (loss)	Percentage of net assets on the basis of market value of the respective sub fund(see note 5.1.2)	Percentage of paid-up capital of investee company
	---Number of shares---		Rs in '000	---Number of shares---		---Rupees in '000---					
Sector / Companies											
Equity Sub Fund											
Automobile Assembler											
Indus Motor Company Limited	20,655	57,500	59,071	-	-	78,155	70,180	97,615	27,435	3.56	0.10
Pak Suzuki Motor Company Limited	115,733	35,000	14,248	-	-	150,733	45,946	65,706	19,760	2.40	0.18
Ghandhara Nissan Limited	-	12,500	748	-	12,500	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	389,700	63,620	-	71,000	318,700	54,765	69,693	14,928	2.54	0.22
Millat Tractors Limited	-	26,950	16,693	-	-	26,950	16,693	18,483	1,790	0.67	0.06
Automobile Parts & Accessories											
Agriauto Industries Limited (note 5.1.1)	45,000	-	-	-	-	45,000	4,343	8,368	4,025	0.31	0.31
Thal Limited (note 5.1.1)	28,645	25,000	5,375	-	-	53,645	11,316	15,312	3,996	0.56	0.13
Cable & Electrical Goods											
Pak Elektron Limited	-	1,440,000	79,504	-	-	1,440,000	79,504	119,146	39,642	4.35	0.36
Cement											
DG Khan Cement Company Limited	1,083,897	385,500	33,233	-	1,319,000	150,397	13,150	21,472	8,322	0.78	0.03
Lucky Cement Limited	312,006	164,500	69,225	-	59,500	417,006	172,945	216,685	43,740	7.91	0.13
Fauji Cement Company Ltd.	2,165,000	3,769,000	119,600	-	590,000	5,344,000	149,792	186,345	36,553	6.80	0.40
Cherat Cement Company Limited	137,500	455,000	39,215	93,500	-	686,000	50,554	59,703	9,149	2.18	0.39
Pioneer Cement Company Limited	142,000	200,000	15,015	-	-	342,000	21,641	29,169	7,528	1.06	0.15
Attock Cement Pakistan Limited	-	46,700	9,916	-	-	46,700	9,916	8,901	(1,015)	0.32	0.04
Maple Leaf Cement Factory Limited	-	200,000	11,574	-	25,000	175,000	10,127	13,748	3,621	0.50	0.03
Kohat Cement Company Limited	-	150,000	20,412	-	-	150,000	20,412	29,978	9,566	1.09	0.10
Chemical											
ICI Pakistan Limited	167,570	-	-	-	-	167,570	65,409	71,866	6,457	2.62	0.18
Engineering											
K.S.B Pumps Company	47,000	88,800	11,895	-	47,000	88,800	11,895	12,343	448	0.45	0.67
Fertilizer											
Fauji Fertilizer Bin Qasim Limited	503,951	-	-	-	500,000	3,951	157	219	62	0.01	-
Fauji Fertilizer Company Limited	252,198	362,000	43,623	-	441,000	173,198	20,916	25,879	4,963	0.94	0.01
Falima Fertilizer Company Limited	-	1,480,000	54,924	-	919,000	561,000	20,819	21,918	1,099	0.80	0.03
Engro Corporation Limited	-	1,425,000	335,183	-	650,000	775,000	199,512	230,020	30,508	8.39	0.15
Engro Fertilizers Limited	-	343,000	29,769	-	-	343,000	29,769	30,421	652	1.11	0.03
Food & Personal Care Products											
Engro Foods Limited	254,600	622,000	83,802	-	201,600	675,000	88,017	102,222	14,205	3.73	0.09
Oil & Gas Exploration Companies											
Oil and Gas Development Company Limited	436,016	69,500	18,094	-	505,516	-	-	-	-	-	-
Pakistan Oilfields Limited	200,050	14,000	8,221	-	163,500	50,550	29,073	20,413	(8,660)	0.74	0.02
Pakistan Petroleum Limited	344,457	162,900	37,520	-	482,300	25,057	5,669	4,116	(1,553)	0.15	-
Mari Petroleum Company Limited (note 11)	100,000	305,450	148,474	26,000	303,000	128,450	48,775	60,192	11,417	2	0.12
Oil & Gas Marketing Companies											
Pakistan State Oil Company Limited	359,533	257,900	96,214	-	126,000	491,433	187,605	189,589	1,984	6.92	0.18
Attock Petroleum Limited	41,920	15,000	8,035	-	-	56,920	32,761	32,286	(475)	1.18	0.07
Sui Northern Gas Pipelines Limited	625,000	200,000	5,849	-	275,000	550,000	13,494	14,652	1,158	0.53	0.09
Hascol Petroleum Limited (note 11)	-	50,000	4,869	5,500	-	55,500	4,869	6,355	1,486	0.23	0.06
Paper & Board											
Packages Limited	210,251	117,150	71,102	-	35,600	291,801	157,544	173,353	15,809	6.33	0.33
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	64,600	5,000	2,946	-	25,000	44,600	25,609	29,762	4,153	1.09	0.05
Ferozsons Laboratories Limited	35,000	201,200	121,894	-	25,000	211,200	124,301	135,071	10,770	4.93	0.70
The Searle Company Limited	-	133,000	33,912	-	-	133,000	33,912	42,652	8,740	1.56	0.15
Power Generation & Distribution											
The Hub Power Company Limited	1,735,745	723,500	50,628	-	90,000	2,369,245	147,002	221,689	74,687	8.09	0.20
Kohinoor Energy Limited	155,000	-	-	-	-	155,000	6,420	7,828	1,408	0.29	0.09
Pakgen Power Limited	176,000	-	-	-	176,000	-	-	-	-	-	-
K-Electric Limited (note 5.1.1)	2,840,000	5,500,000	47,054	-	2,100,000	6,240,000	53,130	52,541	(589)	1.92	0.06
Lalpur Power Limited	-	905,000	20,884	-	209,000	696,000	16,363	21,228	4,865	0.77	0.18
Refinery											
Attock Refinery Limited	1,500	70,000	14,367	-	21,500	50,000	10,373	11,423	1,050	0.42	0.06
National Refinery Limited	82,000	-	-	-	82,000	-	-	-	-	-	-
Technology & Communication											
Pakistan Telecommunication Company Limited "A"	1,888,200	1,125,000	23,920	-	1,814,000	1,199,200	25,857	24,584	(1,273)	0.90	0.03
Textile Composite											
Nishat Mills Limited	670,000	50,000	5,142	-	30,000	690,000	76,790	78,818	2,028	2.88	0.20
Miscellaneous											
Shifa International Hospitals Limited	-	52,700	13,815	-	10,900	41,800	10,958	10,452	(506)	0.38	0.08
Total			1,849,585				2,178,283	2,592,216	413,933		

5.1.1 All shares have a nominal value of Rs. 10 each except Agriauto Industries Limited & Thal Limited having nominal value of Rs. 5 and K-Electric Limited having nominal value of Rs. 3.50.

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

5.2 'Held-for-trading' - sukuk certificates

Name of the security	Maturity date	Profit rate per annum	As at July 1, 2014	Purchase during the year	Cost of purchase	Sales during the year	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 net assets on the basis of market value respective sub fund (see note 5.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000						
Debt Sub Fund												
GoP - Ijara sukuk - IX (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	2,590	3,300	330,305	-	-	5,890	592,620	593,711	1,091	42.45
GoP - Ijara sukuk - X (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	1,438	-	-	40	-	1,398	142,539	140,988	(1,551)	10.08
GoP - Ijara sukuk - XI (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	600	440	44,044	620	-	420	42,549	42,328	(221)	3.03
GoP - Ijara sukuk - XII (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	850	240	24,000	-	-	1,090	111,406	109,709	(1,697)	7.84
GoP - Ijara sukuk XIV (note 5.2.1)	March 28, 2016	Weighted average 6 months T-Bills	3	-	-	-	-	3	311	302	(9)	0.02
GoP - Ijara sukuk XV	June 25, 2017	Weighted average 6 months T-Bills	3,080	-	-	3,080	-	-	-	-	-	-
Total					398,349				889,425	887,038	(2,387)	
Money Market Sub Fund												
GoP - Ijara sukuk - IX (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	1,200	1,340	134,095	-	-	2,540	255,632	256,032	400	75.79
GoP - Ijara sukuk - X (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	180	-	-	30	-	150	15,294	15,128	(166)	4.48
GoP - Ijara sukuk - XI	November 21, 2015	Weighted average 6 months T-Bills	120	210	21,021	330	-	-	-	-	-	-
GoP - Ijara sukuk - XII (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	145	-	-	-	-	145	14,910	14,594	(316)	4.32
GoP - Ijara sukuk XV	June 25, 2017	Weighted average 6 months T-Bills	550	-	-	550	-	-	-	-	-	-
Total					155,116				285,836	285,754	(82)	

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.

5.3 Investments 'designated at fair value through profit or loss upon initial recognition'

	Note	2015	2014
		(Rupees in '000)	
Preference shares			
Sukuk certificates	5.3.1	20,035	-
	5.3.2	53,350	-
		<u>73,385</u>	<u>-</u>
5.3.1 Preference Shares - Unlisted			
Equity Sub Fund			
Name of Security	Note	Number of Shares	Carrying Value
		(Rupees in '000)	
Mari Petroleum Company Limited- at cost	5.3.1.1	<u>2,003,506</u>	<u>20,035</u>

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

5.3.2 Investments 'designated at fair value through profit or loss upon initial recognition' - sukuk certificates

Name of the investee company	Maturity date	Profit rate per annum	As at July 1, 2014	Purchase during the period	Cost of purchase	Sales during the year	Redemption/ murtured during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain	Percentage of net assets on the basis of market value (see note 5.1.2)
			Number of certificates		Rupees in '000		Number of certificates		Rupees in '000			
Debt Sub Fund												
Eden Housing Limited (note 5.3.2.1 & 5.3.2.4)	September 29, 2014	3 months Kibor plus base rate of 2.5%	500	-	-	-	-	500	-	-	-	-
Security Leasing Corporation Limited II (note 5.3.2.2 & 5.3.2.3)	January 19, 2022	-	156	-	-	-	2	154	-	-	-	-
K-Electric Limited - I (note 5.3.2.2)	April 19, 2015	1 months Kibor plus base rate of 1.0%	-	3,000	15,075	-	3,000	-	-	-	-	-
K-Electric Limited - II (note 5.3.2.2)	March 19, 2017	3 months Kibor plus base rate of 2.25%	-	14,400	73,090	4,000	-	10,400	52,830	53,350	520	3.81
Total					88,165				52,830	53,350	520	
Money Market Sub Fund												
Security Leasing Corporation Limited II (note 5.3.2.2 & 5.3.2.3)	January 19, 2022	-	156	-	-	-	2	154	-	-	-	-
K-Electric Limited - I (note 5.3.2.2)	April 19, 2015	1 months Kibor plus base rate of 1.0%	-	1,000	5,025	1,000	-	-	-	-	-	-
Total					5,025				-	-	-	

5.3.2.1 The principal buy out reduces the face value per certificate instead of number of certificates. The face value of the sukuk certificates is Rs.984.38 each.

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

5.3.2.3 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 contributors 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 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 provisioning policy of the Fund, an amount of Rs 0.77 million in both debt sub fund and money market sub Fund has also been held as provision against the outstanding principal as at June 30, 2015. During the year SLCL repaid an amount of Rs. 0.08 million to both debt sub fund and money market sub Fund.

5.3.2.4 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. 0.492 million has also been held as provision against the outstanding principal as at June 30, 2015.

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
----- (Rupees in '000) -----				
Debt Sub Fund		492	492	-
Eden Housing Limited	Non-traded sukuk certificates	771	771	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	1,263	1,263	-
Money Market Sub Fund		771	771	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	771	771	-

5.3.2.5 (Reversal) / provision on sukuk certificates

Debt Sub Fund

Opening		1,271	-
(Reversal) / provision for the period against Sukuk certificates - net	5.3.2.3	(8)	1,271
Closing		1,263	1,271

Money Market Sub Fund

Opening		779	-
(Reversal) / provision for the period against Sukuk certificates - net	5.3.2.3	(8)	779
Closing		771	779

Note
2015
2014
(Rupees in '000)

5.4 Available-for-sale - sukuk certificates

Name of the investee company	Maturity date	Profit rate per annum	As at July 1, 2014	Purchase during the period	Cost of purchase	Sales during the year	Murtured during the year	As at June 30, 2015	Carrying value as at June 30, 2015	Market value as at June 30, 2015	Unrealised gain	Percentage of net assets on the basis of market value of the respective sub fund (see note 5.1.2)
			Number of certificates	Rupees in '000	Number of certificates	Rupees in '000	Number of certificates	Rupees in '000	Number of certificates	Rupees in '000	Number of certificates	Rupees in '000

Debt Sub Fund

GoP - Ijara sukuk - X (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	750	-	-	-	-	750	75,243	75,638	395	5.41
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5.4.1 Net unrealised (diminution) / appreciation on re-measurement of investment classified as 'available for sale'

Debt Sub Fund

Market value of investment		75,638	76,470
Less: Cost of investments		75,243	75,243
		395	1,227
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year		(1,227)	-
		(832)	1,227

5.5 Loans and receivables - Term deposit receipts (TDR)

Name of the Bank	Maturity date	Profit rate per annum	Face Value				Rating	Percentage of net assets value on the basis of total value of investment of the respective sub fund (see note 5.1.2)
			As at July 1, 2014	TDR's placed during the year	Matured during the year	As at June 30, 2015		
----- Rupees in '000 -----								
Debt Sub Fund								
MCB Bank Limited - Islamic Banking	February 23, 2015	9.00%	-	100,000	100,000	-	AAA	-
Meezan Bank Limited	June 21, 2016	6.70% - 8.46%	-	126,000	-	126,000	AA	9
					126,000			

6. PROFIT RECEIVABLE

Note	2015				2014 Total
	Equity sub fund	Debt sub fund	Money Market sub fund	Total	
	----- (Rupees in '000) -----				
Profit receivable on					
- saving accounts with banks	2,344	4,776	1,796	8,916	8,997
- term deposit receipts	-	986	-	986	-
- sukuk certificates	-	7,280	664	7,944	10,136
	<u>2,344</u>	<u>13,042</u>	<u>2,460</u>	<u>17,846</u>	<u>19,133</u>

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

Management remuneration	7.1	3,220	1,655	412	5,287	3,355
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	8,474	5,426	1,589	15,489	5,599
		<u>11,694</u>	<u>7,081</u>	<u>2,001</u>	<u>20,776</u>	<u>8,954</u>

7.1 Under the provisions of the Trust Deed, the pension fund manager is entitled to an annual management fee not exceeding 1.5% of the net assets of each sub-fund calculated during the year for determining the net asset value of the units of the sub-funds.

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 pension fund manager has been applied effective from June 13, 2013. The pension fund manager is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan (MUFAP) and the High Court Sindh in a Constitutional Petition relating to levy of Federal Excise Duty (FED) on Mutual Fund has granted stay order for the recovery of Federal Excise Duty (FED). As a matter of abundant caution, the pension fund manager has made a provision with effect from June 13, 2013, aggregating to Rs. 7.281 million, Rs. 4.747 million and Rs. 1.411 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively (till June 30, 2014: Rs. 2.549 million, Rs. 1.875 million and Rs. 0.639 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund). Had the provision not being made, the Net Asset Value per unit as at June 30, 2015 would have been higher by Rs. 1.11 (June 30, 2014: Rs. 0.55) per unit, Rs. 0.66 (June 30, 2014: Rs. 0.33) per unit and Rs. 0.82 (June 30, 2014: Rs. 0.39) per unit for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY (CDC) - Trustee

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed in accordance with the tariff specified therein, based on the daily net assets of the sub-funds.

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

This represents annual fee at the rate of one thirtieth of one per cent of the average annual net asset value of the pension fund payable to SECP under Rule 36 of VPS Rules.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2015			2014	
		Equity sub fund	Debt sub fund	Money Market sub fund	Total	
----- (Rupees in '000) -----						
Provision for Workers' Welfare Fund (WWF)	12	23,597	3,861	1,061	28,519	14,559
Charity payable	10.1	1,788	-	-	1,788	1,046
Brokerage payable		-	-	-	-	5
Zakat payable		10	16	3	29	-
		<u>25,395</u>	<u>3,877</u>	<u>1,064</u>	<u>30,336</u>	<u>15,610</u>

- 10.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 1.788 million (2014: Rs. 1.046 million) is outstanding in this regard after making charity payments of Rs 0.5 million (2014: Rs 0.6 million) to renowned charitable institutions. None of the directors of the Pension Fund Manager of the Fund were interested in any of donees.

11. CONTINGENCIES AND COMMITMENTS

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

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

In the current year, Mari Petroleum Company Limited and Hascol Petroleum Limited issued bonus shares after deduction of 5 percent amounting to Rs. 0.598 and Rs. 0.029 million respectively. These have not been deposited with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

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

12. WORKERS' WELFARE FUND (WWF)

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, during the year ended June 30, 2010, a Constitutional Petition has been filed by certain CISs through their trustees in the High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

In 2012, the Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 declared the said amendments as unlawful and unconstitutional. In March 2013, a large bench of Sindh High Court (SHC) in various Constitutional Petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in WWF Ordinance, 1971 about applicability of WWF to the CISs which is still pending before the court.

The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, the Pension Fund Manager / Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2015 amounting to Rs. 23.597 million, Rs. 3.862 million and Rs. 1.061 million which includes Rs. 11.739 million, Rs. 1.779 million and Rs. 0.443 million pertaining to the current year and Rs. 11.858 million, Rs. 2.083 million and Rs. 0.618 million pertaining to prior year for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 3.59 (0.86%), Rs. 0.54 (0.28%) and Rs. 0.61 (0.31%) for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

The Board of Directors of the Pension Fund Manager in its meeting held on October 25, 2013 have resolved that unrecorded accumulated WWF provision in the fund from the date of its application till December 31, 2012, in case is required to be paid, shall be borne by Al Meezan Investment Management Limited (pension fund manager of the fund). Therefore, the Fund is not exposed to this unrecorded accumulated WWF provision. The unrecorded accumulated provision for WWF up to December 31, 2012 is Rs. 3.74 million, Rs. 1.60 million and Rs. 0.98 million in Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

The mutual funds (i.e. Collective Investment Schemes) have been excluded from levy of WWF vide Finance Act, 2015. However, the Act does not exclude Voluntary Pension Schemes (VPS). Therefore, provision in respect of WWF has been continued prospectively.

13. AUDITORS' REMUNERATION

	2015				2014 Total
	Equity sub fund	Debt sub fund	Money Market sub fund	Total	
	----- (Rupees in '000) -----				
Audit fee	72	72	71	215	200
Half yearly review	36	37	37	110	110
Out of pocket expenses	12	11	12	35	50
	<u>120</u>	<u>120</u>	<u>120</u>	<u>360</u>	<u>360</u>

14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration payable to the Pension Fund Manager and the Trustee is determined in accordance with the provisions of VPS Rules, 2005 and the trust deed respectively. Transactions with connected persons are carried out in the normal course of business at contracted rates and terms determined in accordance with market rates.

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

	2015			2014 Total	
	Equity sub fund	Debt sub fund	Money Market sub fund		Total
----- (Rupees in '000) -----					
AI Meezan - pension fund manager					
Remuneration payable	3,220	1,655	412	5,287	3,355
Sindh Sales Tax and Federal Excise Duty on management fee	8,474	5,426	1,589	15,489	5,599
Investments as at June 30, 2015: (Equity sub fund: 260,077 units) as at June 30, 2014 (Equity sub fund: 260,077 units)	108,366	-	-	108,366	85,620
Meezan Bank Limited					
Bank balances	2,393	3,437	205	6,035	131,484
Term Deposit Receipts	-	126,000	-	126,000	-
Profit receivable on Term Deposit Receipts	-	986	-	986	-
Profit receivable on saving account	-	-	-	-	650
Central Depository Company of Pakistan Limited - Trustee					
Trustee fee payable	246	127	32	405	264
Deposits	100	100	100	300	300
Directors and Executives of the Pension Fund Manager					
Investments as at June 30, 2015: (Equity sub fund: 661,334 units; Debt Sub Fund: 359,344 units; Money Market Sub Fund: 13,471 units) as at June 30, 2014: (Equity sub fund: 455,894 units; Debt sub fund: 389,120 units; Money Market sub fund: 71,134 units)	275,558	70,320	2,632	348,510	234,636

For the year ended June 30, 2015				For the year ended June 30, 2014 Total
Equity sub fund	Debt sub fund	Money Market sub fund	Total	
----- (Rupees in '000) -----				

AI Meezan - pension fund manager					
Remuneration for the year	29,578	17,952	4,826	52,356	32,059
Sindh Sales Tax and Federal Excise Duty on management fee	9,879	5,996	1,612	17,487	10,924
Redemption nil units (2014: Money Market sub fund 441,476 units)	-	-	-	-	76,495
Meezan Bank Limited					
Profit on Term Deposit Receipts	-	3,586	-	3,586	-
Profit on savings account	682	509	217	1,408	7,920

For the year ended June 30, 2015				For the year ended June 30, 2014 Total
Equity sub fund	Debt sub fund	Money Market sub fund	Total	

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

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the year	<u>2,253</u>	<u>1,369</u>	<u>368</u>	<u>3,990</u>	<u>2,627</u>
CDS Charges for the year	<u>164</u>	<u>9</u>	<u>6</u>	<u>179</u>	<u>54</u>

Directors and Executives of the Pension Fund Manager

Units issued (Equity Sub Fund: 470,075 units; Debt Sub Fund: 319,315 units; Money Market Sub Fund: 51,436 units)	<u>165,083</u>	<u>61,023</u>	<u>9,655</u>	<u>235,761</u>	<u>61,707</u>
Units redeemed / reallocated (Equity Sub Fund: 264,635 units; Debt Sub Fund: 349,091 units; Money Market Sub Fund: 109,099 units)	<u>93,686</u>	<u>66,909</u>	<u>20,875</u>	<u>181,470</u>	<u>23,594</u>

2015				
Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial assets at 'available-for-sale'	Financial liabilities measured at amortised cost	Total

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

15. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Bank balances	455,016	-	-	-	455,016
Investments	126,000	3,838,393	75,638	-	4,040,031
Receivable against sale of investments	20,898	-	-	-	20,898
Dividend receivable	4,061	-	-	-	4,061
Profit receivable	17,846	-	-	-	17,846
Deposit with CDC	300	-	-	-	300
Receivable against change of plan / change of fund manager	41,486	-	-	-	41,486
	<u>665,607</u>	<u>3,838,393</u>	<u>75,638</u>	<u>-</u>	<u>4,579,638</u>

Financial liabilities

Payable to Al Meezan - pension fund manager	-	-	-	20,776	20,776
Payable to CDC - Trustee	-	-	-	405	405
Payable to auditors	-	-	-	216	216
Payable against purchase of investments	-	-	-	33,365	33,365
Payable against withdrawal / payable against change of plan	-	-	-	16,856	16,856
Accrued expenses and other liabilities	-	-	-	1,788	1,788
	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,406</u>	<u>73,406</u>

2014				
Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial assets at 'available-for-sale'	Financial liabilities measured at amortised cost	Total
..... (Rupees in '000).....				
Financial assets				
Bank balances	281,259	-	-	281,259
Investments	-	2,514,861	76,470	2,591,331
Receivable against sale of investments	26,342	-	-	26,342
Dividend receivable	1,223	-	-	1,223
Profit receivable	19,133	-	-	19,133
Deposit with CDC	300	-	-	300
	<u>328,257</u>	<u>2,514,861</u>	<u>76,470</u>	<u>2,919,588</u>
Financial liabilities				
Payable to Al Meezan - pension fund manager	-	-	8,954	8,954
Payable to CDC - trustee of the Fund	-	-	264	264
Payable to auditors	-	-	201	201
Payable against withdrawal / payable against change of plan	-	-	10,520	10,520
Accrued expenses and other liabilities	-	-	1,051	1,051
	<u>-</u>	<u>-</u>	<u>20,990</u>	<u>20,990</u>

16. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Risk of the Funds is being managed by the pension fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk and interest rate risk), credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the VPS Rules and the directives issued by SECP.

Risks managed and measured by the Fund are explained below:

16.1 Market risk

16.1.1 Price risk

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

The pension fund manager's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the participants from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis

by the pension fund manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities, and by complying with the internal risk management policies and regulations laid down in VPS Rules and directives issued by the SECP.

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the pension fund manager.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 5 to these financial statements. At June 30, 2015 the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the Karachi Meezan Index - 30 (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by approximately Rs. 25.922 million (2014: Rs. 14.268 million) if the prices of equity vary due to increase / decrease in the KMI. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with the KMI and that the KMI increases / decreases by 1% on KMI index with all other factors held constant.

The pension fund manager uses the KMI as a reference point in making investment decisions. However, the pension fund manager does not manage the Fund's investment strategy to track the KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2015 and the historical correlation of the securities comprising the portfolio of the KMI. The composition of the Fund's investment portfolio and the correlation thereof to the KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of the KMI.

16.1.2 Interest rate risk

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

Cash flow interest rate risk

The Fund's interest rate risk arises from the balance in saving accounts and investments in debt securities. The net assets of the Fund will increase / decrease by approximately Rs. 19.013 million (2014: approximately Rs. 14.4578 million) if the market interest rates increase / decrease by 100 basis.

Fair value interest rate risk

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

16.1.3 Currency risk

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

16.2 Credit risk and concentration of credit risk

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

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

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The credit rating wise analysis of investment in debt instruments has been tabulated as follows:

	2015		2014	
	Debt sub fund	Money market sub fund	Debt sub fund	Money market sub fund
	----- (Percentage) -----			
Government guaranteed	85.00	100.00	100.00	100.00
AA	15.00	-	-	-
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Further, all transactions in securities are executed through approved brokers, thus the risk of default is considered to be minimal. For Debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by Trustee of the Fund minimize the credit risk. In accordance with the risk management policy of the Fund, the Fund manager monitors the credit position on a daily basis which is reviewed by the Board of Directors on a quarterly basis.

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

	2015	2014
	(Percentage)	
AAA	46.42	32.77
AA+	27.95	7.34
AA	1.34	47.15
A	24.29	12.74
	<u>100.00</u>	<u>100.00</u>

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentration 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		
Bank balances	455,016	281,259
Investments	199,385	-
Receivable against sale of investments	20,898	26,342
Dividend receivable	4,061	1,223
Profit receivable	17,846	19,133
Deposit with CDC	300	300
Receivable against change of plan / change of fund manager	41,486	-
	<u>738,992</u>	<u>328,257</u>

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

16.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting participant's early redemptions at any time. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country.

	2015				Total
	Three months	Maturity up to		More than one year	
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited - pension fund manager	20,776	-	-	-	20,776
Payable to CDC - trustee of the Fund	405	-	-	-	405
Payable to auditors	216	-	-	-	216
Payable against purchase of investments	33,365	-	-	-	33,365
Payable against withdrawal / payable against change of plan	16,856	-	-	-	16,856
Accrued expenses and other liabilities	1,788	-	-	-	1,788
	<u>73,406</u>	-	-	-	<u>73,406</u>
	2014				
	Three months	Maturity up to		More than one year	Total
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited - pension fund manager	8,954	-	-	-	8,954
Payable to CDC - trustee of the Fund	264	-	-	-	264
Payable to auditors	201	-	-	-	201
Payable against withdrawal / payable against change of plan	10,520	-	-	-	10,520
Accrued expenses and other liabilities	1,051	-	-	-	1,051
	<u>20,990</u>	-	-	-	<u>20,990</u>

17. PARTICIPANTS' FUND RISK MANAGEMENT

All units and fractions thereof represent an undivided share in the respective sub-fund and rank pari passu as to their rights in the net assets and earnings of that sub-fund. The relevant movements are shown on the 'statement of movement in participants' sub-funds'.

Each participant has a beneficial interest in the Fund proportionate to the units held by such participant in the respective sub-fund in his individual pension account (IPA). The liability of the participant is limited to the number of units or in certain circumstances cash, as may be allowed by the Rules, held by each participant in his IPA. These are only redeemable in case of retirement, premature encashment / redemption, death of the participant, and change of pension fund manager, change of allocation schemes and / or rebalancing of the IPA according to the percentages selected allocation schemes.

In accordance with risk management policies stated in note 16, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet early withdrawal requests, such liquidity being augmented by disposal of investments where necessary.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

The fair value of financial assets 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 prices (unadjusted) in active markets 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 or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

	2015			Total
	Level 1	Level 2 ----- (Rupees in '000) -----	Level 3	
Assets				
Financial assets 'at fair value through profit or loss' - Held-for-trading				
- Equity securities	2,592,216	-	-	2,592,216
- Debt securities	-	1,172,792	-	1,172,792
Financial assets designated at 'fair value through profit or loss at initial recognition'				
- Debt securities	-	53,350	-	53,350
Financial assets 'available-for-sale'				
- Debt securities	-	75,638	-	75,638
	<u>2,592,216</u>	<u>1,301,780</u>	<u>-</u>	<u>3,893,996</u>

	2014			Total
	Level 1	Level 2 ----- (Rupees in '000) -----	Level 3	
Assets				
Financial assets 'at fair value through profit or loss' - Held-for-trading				
- Equity securities	1,426,835	-	-	1,426,835
- Debt securities	-	1,088,026	-	1,088,026
Financial assets designated at 'fair value through profit or loss at initial recognition'				
- Debt securities	-	-	-	-
Financial assets 'available-for-sale'				
- Debt securities	-	76,470	-	76,470
	<u>1,426,835</u>	<u>1,164,496</u>	<u>-</u>	<u>2,591,331</u>

The following table presents the movement in level 3 instruments.

	2015 (Rupees in '000)	2014
Opening balance	-	1,349
Transfers into / (from) level 3	-	-
Sales / redemptions	(16)	(1,141)
Provisions	-	(2,050)
Gain / (loss) recognised in income statement	16	1,842
Closing balance	<u>-</u>	<u>-</u>

19. PERFORMANCE TABLE

	For the year ended June 30, 2015	For the year ended June 30, 2014	Percentage change	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011
	Rupees in '000'		%	----- (Rupees in '000) -----		
EQUITY SUB FUND						
Net income	575,199	376,514	53	285,228	46,534	47,708
Net realised gain on sale of investments	33,649	63,710	(47)	31,167	15,445	9,794
Unrealised gain on re-measurement of investments at 'fair value through profit or loss'	413,933	208,999	98	167,834	16,977	19,649
Dividend income	83,044	49,275	69	28,192	13,670	9,865
Profit on savings accounts with banks	6,048	7,659	(21)	2,825	1,602	1,461
Transactions in securities						
Purchases	1,851,923	1,406,804	32	460,631	162,340	89,938
Sales	2,597,064	1,917,077	35	204,999	83,483	44,418
Total contribution received	1,171,025	697,392	68	429,339	174,045	44,955
Total net asset value	2,740,148	1,537,033	78	804,440	324,443	179,133
	----- (Rupees) -----			----- (Rupees) -----		
Net Asset value per unit	416.67	329.21	27	248.56	160.43	137.37
DEBT SUB FUND						
Net income	86,322	74,854	15	48,871	28,758	21,303
Net realised (loss) / gain on sale of investments	(3,568)	1,442	(347)	516	(1,152)	597
Unrealised loss / gain on re-measurement of investments at 'fair value through profit or loss'	(1,867)	5,949	(131)	(273)	(24)	(1,094)
Profit on savings accounts with banks	7,077	17,696	(60)	5,098	3,638	2,632
Profit on Term Deposit Receipts	8,147	-	0	-	-	53
Profit on Sukuk Certificates	94,122	51,853	82	38,267	18,087	11,339
Transactions in securities						
Purchases	486,514	975,483	(50)	320,194	223,000	82,000
Sales	688,797	1,368,847	(50)	78,362	34,908	11,340
Total contribution received	642,794	588,187	9	450,163	202,012	37,623
Total net asset value	1,398,572	1,047,167	34	640,260	332,267	143,908
	----- (Rupees) -----			----- (Rupees) -----		
Net Asset value per unit	195.69	183.87	6	170.66	157.64	143.98
MONEY MARKET SUB FUND						
Net income	21,721	19,295	13	21,818	20,836	11,256
Net realised gain / (loss) on sale of investments	67	865	(92)	32	480	117
Unrealised (loss) / gain on re-measurement of investments at 'fair value through profit or loss'	(82)	867	(109)	(337)	(9)	(59)
Profit on savings accounts with banks	4,801	8,875	(46)	10,125	4,110	5,271
Profit on Term Deposit Receipts	-	-	-	-	-	874
Profit on Sukuk Certificates	24,278	15,664	55	14,031	9,736	3,478
Transactions in securities						
Purchases	160,141	432,046	(63)	245,924	164,485	28,000
Sales	223,907	386,348	(42)	147,008	41,887	-
Total contribution received	156,548	205,019	(24)	155,935	112,772	12,417
Total net asset value	337,801	299,126	13	302,636	210,840	93,302

For the year ended June 30, 2015	For the year ended June 30, 2014	Percentage change	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011
Rupees in '000'		%	----- (Rupees in '000) -----		

	----- (Rupees) -----			----- (Rupees) -----	
Net Asset value per unit	195.36	182.80	7	171.01	158.68 143.00

	Equity sub fund		Debt sub fund		Money market sub fund	
	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price
	----- (Rupees) -----					
For the year ended June 30, 2015	309.36	424.57	184.44	195.69	183.17	195.36
For the year ended June 30, 2014	244.28	332.93	170.75	183.87	171.10	182.80

20. TAXATION


The income of the Fund is exempt from Income Tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision has been made for current and deferred taxation in these financial statements.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A (i) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, Supertax and any other taxes introduced in Finance Act, 2015 is also not applicable on fund.

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 8, 2015 by the Board of Directors of the pension fund manager.

For AI Meezan Investment Management Limited
(Pension Fund Manager)


Mohammad Shoaib, CFA
Chief Executive




Mazhar Sharif
Director










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