

# INTELLIGENT PLANNING, INTELLIGENT LIVING



ANNUAL  
REPORT  
2016





## **Annual Report 2016**

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# Vision

To make Shariah compliant investing a first choice for investors



# Mission

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



# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY OF THE FUNDS

The Board of Directors of Al Meezan Investment Management Limited is pleased to present the audited financial statements of the following open end funds and a voluntary pension scheme for the year ended June 30, 2016.

## Equity Funds

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

## Balanced Fund

- Meezan Balanced Fund

## Asset Allocation Fund

- Meezan Asset Allocation Fund

## Commodity Fund

- Meezan Gold Fund

## Economic Review:

Economic performance of Pakistan showed marked improvement during the Fiscal Year 2015-16 (FY16), in part due to reforms under the guidance of IMF and continued meltdown in the global oil prices that kept inflationary pressures in check and favorably affected the country's import bill. CPI for FY16 decreased to 2.86% from 4.53% last year.

Low inflation figures provided the State Bank enough cushion to maintain its monetary easing stance whereby the policy rate was brought down to 5.75%, a cumulative reduction of 75bps during FY16. This continued monetary easing has finally started to stimulate private sector credit offtake, which has increased to Rs. 331.8 bn during FY16 compared to Rs. 223 bn during last year. The government has also worked well towards achieving exchange rate stability whereby the rupee depreciated by a mere 2.92%, while currencies in the region remained more volatile. Although the government's measures to widen the country's tax net have been met with mixed reactions from the business community, the imposition of 0.6% withholding tax on banking transactions for tax non-filers and the amnesty scheme for the trading community show the seriousness of government's intentions regarding tax collection. During the period under review, the tax revenues totaled Rs.3.1 tn, up around 20% from the previous year, as the government managed to achieve its revenue target.

During the current fiscal year, Pakistan's import bill fell by 2.3% to USD 44.8 bn during FY16 from USD 45.8 bn in the previous fiscal year. The lower than expected fall was mainly due to the increase in the imports of machinery. Increase in remittances (6.4% YoY to USD 19.9 bn), lower trade deficit and continued Coalition Support Fund (CSF) inflows to the tune of USD 713 mn played a major role in reducing current account deficit.

The LNG deal with Qatar was finalized in February 2016, which helped in the revival of energy starved industries; this coupled with comparatively lower oil prices provided much needed respite to the reserves and has assisted in maintaining the exchange rate stability as well. However, the external account has continued to disappoint on the exports front with goods exports falling 9% YoY even in the face of easing energy shortage and improved security conditions. Non-competitiveness in the global arena remains the primary challenge that is continuing to hinder exports.

Successful conclusion of IMF's 11th review under the Extended Fund Facility (EFF) Program led to the disbursement of around USD 1bn during the year, resulting in strengthening of Forex reserves to over USD 23 bn. The government also managed to tap into the international markets raising USD 500 mn through a Eurobond issue.

Overall, the economic fundamentals are improving on the back of reforms undertaken by the government. The incumbent government has made several headways in keeping the economy in check; inflation has been kept below the targeted 6%, 2) fiscal deficit capped at 4.45% of GDP, 3) achieved GDP growth rate of 4.7% and 4) improving security situation. The CPEC take off also added a breath of fresh air in the economy. Pressure on external account has been eased further on the back of low oil prices, as oil accounts for around 35% of Pakistan's total import bill. With political stability, low interest rates and improvement in investor sentiment, private sector and consumer credit offtake is expected to increase in the next year, which will provide further impetus to economic growth.

### **Money Market Review:**

During FY16, the State of Pakistan (SBP) stayed firm on its monetary easing stance whereby it slashed the Discount Rate (DR) by another 25bps in its last bi-monthly Monetary Policy Statement (MPS) of FY16 announced in May 2016 bringing it down to a record low of 6.25% (the target policy rate to 5.75%). The overall DR cut during FY16 was 75bps as compared to 300bps cut during FY15. As per SBP, benign inflation due to low commodity prices and country's satisfactory external account position provided sufficient cushion to continue on the monetary easing stance. Overall, in line with this scenario, the interest rates and government paper yields in the secondary market also underwent downward adjustments whereby the KIBORs have declined by 76-100 bps, T-bill yields fell by 105-107 bps while PIB yields went down significantly by 187-238 bps during the period under review.

On the liquidity front, the Money Market faced a relatively tight liquidity scenario during this period, evidenced by Rs. 66 trillion worth of OMO injections carried out by SBP coupled with Rs. 1.80 trillion worth of discounting availed by various counters in comparison to Rs. 546 billion worth of OMO mop-ups and Rs. 486 billion worth of floor placements. Alongside, 26 T-bill and 12 PIB auctions were conducted; cumulatively Rs. 4.6 trillion was accepted against a participation of Rs. 8.9 trillion in T-bills and Rs. 924 billion was accepted against a participation of Rs. 2.5 trillion in PIBs during FY16.

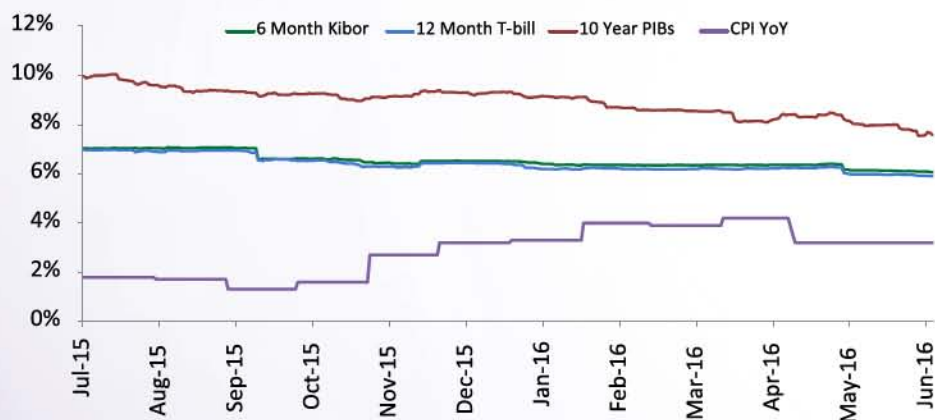
Inflation for FY 16 clocked in at 2.86%. The declining trend in international oil and commodity prices are expected to keep the inflation in check with SBP's forecast for FY17 in the range of 4.5% to 5.5%.

The Shariah compliant end of the money market, which has been facing an excess liquidity issue due to lack of investment avenues, experienced some respite when the Government carried out Islamic OMOs/Bai Muajjals against Ijarah IX to XIII which matured in November 2015; these Bai Muajjals right before the maturity of these five Ijarahs saw a cumulative participation of Rs. 225 billion by Islamic banks against which the SBP accepted bids worth Rs. 209 billion for a tenor of one year and prevented the market from another major liquidity influx. Another Bai Muajjal was conducted in March 2016 against Ijarah XIV for one year just before its maturity, whereby the SBP accepted bids worth Rs. 21.5 bn against a participation of Rs. 32 bn.

Moreover, three fresh GoP Ijarah Sukuks (one floater and two fixed rate) were also issued during FY16, the details of which are as follows:

3 Year GoP Ijarah Sukuks (GIS)		(Rs. in billion)		
Particulars	GIS-16	GIS-17	GIS-18	
Auction Date	15-Dec-15	8-Feb-16	24-Mar-16	
Settlement Date	18-Dec-15	15-Feb-16	29-Mar-16	
Maturity Date	18-Dec-18	15-Feb-19	29-Mar-19	
Type	Floater	Fixed Rate	Fixed Rate	
Target	100.00	100.00	80.00	
Total Participation	273.30	245.37	198.76	
Total Acceptance	117.72	116.26	80.40	
Cutoff Rate	5.89%	6.10%	5.59%	

On the forex front, the rupee lost value during the period as it stayed under pressure mainly due to IMF's review report which stated that rupee is overvalued by 5%-20% and the strengthening of dollar against other currencies. In the interbank market, it closed Rs. 3.04 lower at Rs. 104.84/\$ while in the open market, it closed Rs. 2.15 lower at Rs. 105.10/\$. Graphically, the overall interest rate, T-bill/PIB yields and inflation rate behaviors can be observed as under:



### Equity Market Review

During FY16, the KMI30 Index posted a return of 15.5% as it closed at 66,163 pts while the KSE100 Index posted a return of 9.8% as it closed at 37,783 pts during the year. The participation in the market however remained lower during this period with the KMI-30 index's volumes down by 11% and the KSE-100 index's volumes down by 19%.

The performance of the equity market can be attributed to i) MSCI's decision to reclassify Pakistan from frontier markets to emerging markets, which not only is expected to attract foreign inflows of approximately 500mn to Pakistan but will also put our equity market on the radar of the largest emerging market funds across the globe, ii) 75bps cut in the policy rate to 5.75%, during FY16 ii) healthy corporate result announcements, iii) successful issuance of a US\$ 500 mn Eurobond and improvement of Pakistan's international credit rating, iv) successful conclusion of IMF's reviews with subsequent disbursement of loan tranches and v) improvement in law and order situation of the country. These factors more than offset the impact of negative factors that kept the market dull during the first nine months of the fiscal year such as i) weakness witnessed in regional as well as global equity markets with 25bps increase in US Fed rate and slowdown in Chinese economy which led to foreign selling from Pakistan's stock market to the tune of USD 359 mn during the first ten months, ii) multiple rumors regarding heightened vigilance by the regulator against stock exchange brokers, iii) declining commodity, especially oil prices, iv) concerns on Britain's vote to leave the European union and v) heightened political noise following election tribunal's verdict and arrest of influential personalities.

FY16 had commenced on a positive note with performance attributable to expectations of a low monthly CPI number and consequent monetary softening, rising forex reserves and Judicial Commission's dismissal of election rigging allegations against the government. However, slow-down in the growth momentum of Chinese economy triggered a volatility chain over almost all international bourses as the international investors became jittery on fears of a global economic slow-down; the same resulted in outflow of investment from Pakistan's stock market as well as from all emerging markets. Later, an increase in the US interest rate of 25bps in Dec'15 kept the market volatile as it drove the international investors to reallocate their investment portfolios accordingly. Subsequently another round of volatility took its toll on the regional as well as international markets mainly due to concerns regarding slowdown in the growth of Chinese economy clouding the global economic landscape. This coupled with declining commodity prices made the international investors skittish in turn triggering a sell-off across almost all the markets around the globe which led to increased volatility and affected Pakistan's Stock Market as well. Resultantly the KMI-30 posted its lowest level of FY16 in the month of February'16 at 51,626 points (KSE 100 Index 30,564 points).

Subsequent to that the market regained its strength despite the fact that foreigners remained net sellers; a quick recovery was witnessed on the back of decision regarding reclassification of Pakistan from MSCI Frontier to MSCI Emerging market index, measures being taken by SECP for increasing volumes in the stock market and stabilizing oil prices due to declining inventories. Moreover, corporate result announcements were above expectations and provided much needed support to the market. Eventually, during the period under review, the benchmark index KMI-30 posted its highest closing in June'16 at 67,519 points (KSE 100 Index 38,777 points).

#### **Corporate Profitability and major contributors to the Index**

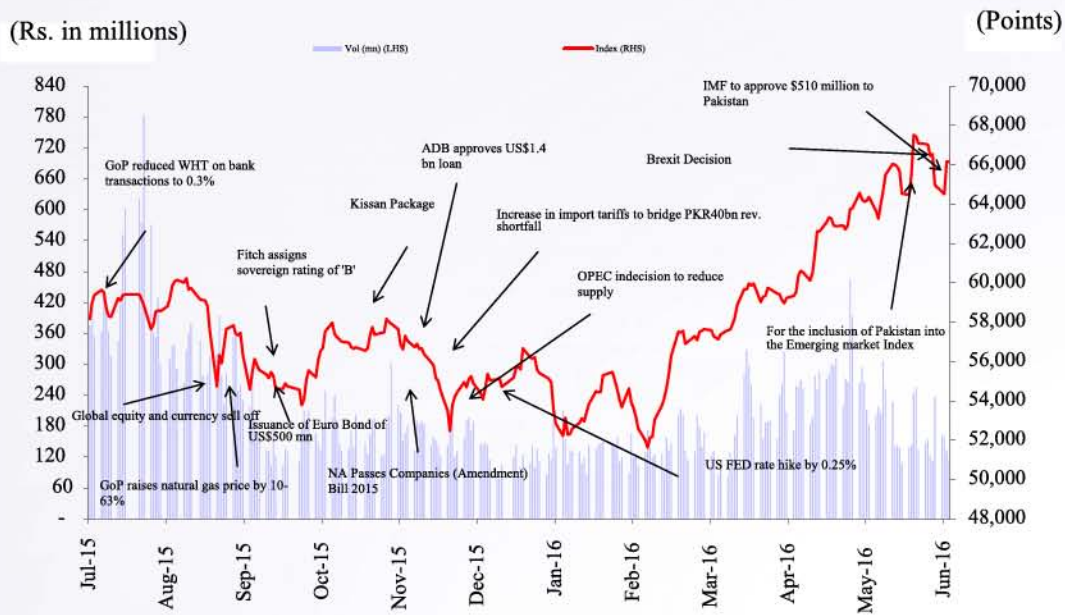
During FY16, Power and Cement remained the best performing sectors. The stocks which remained the largest contributors to the index during the period were:

<b>Positive Contributors to the Index</b>	<b>Contribution to KMI-30 (Points)</b>	<b>Total Return (%)</b>
HUB Power Company Ltd.	1643	45.2
Lucky Cement Ltd.	1272	26.8
The Searle Company Ltd.	899	129.5
Dawood Hercules Corporation Ltd.	816	48.5
Engro Corporation Ltd.	746	19.9

On the flip side, Fertilizer and Oil & Gas Exploration remained the worst performing sectors. The worst performing stocks in KMI during the period were:

<b>Negative Contributors to the Index</b>	<b>Contribution to KMI-30 (Points)</b>	<b>Total Return (%)</b>
Fauji Fertilizer Company Ltd	-1607	-16.5
Pakistan State Oil Ltd	-582	-0.5
Engro Fertilizers Ltd	-495	-21.6
Pakistan Oilfields Ltd.	-345	-0.9
Pakistan Telecommunications Company Ltd.	-219	-18.1

The overall movement of the KMI-30 during the period can be observed in the following graph:



## Equity Flows

Stock market witnessed outflows of USD 286 mn by foreign investors during the period under review. Highest outflow was recorded in Banking Sector at USD 138 mn mainly due to foreign selling in HBL, UBL and MCB, followed by Oil & Gas Exploration Sector with an outflow of USD 121 mn, Fertilizer sector with an outflow of USD 48 mn and Textile Sector with an outflow of USD 32 mn. Inflows were witnessed in Oil and Gas marketing sector of USD 56mn, Cement Sector USD 38 mn, Food and Personal Care USD 24 mn, and Technology and Communications USD 5 mn. NBFCs, Individuals, Mutual Funds and other organizations remained net buyers to the tune of USD 188mn, USD 127 mn, USD 39mn and USD 40mn respectively. Companies, Brokers and Banks remained net sellers amounting to USD 84mn, USD 22mn and USD 6 mn respectively.

Among a few major stock market transactions during the year, the following were the most important: Towards the end of the fiscal year Engro Corporation partially offloaded its stake in two of its subsidiaries - Engro Fertilizers and Engro Foods Ltd. The company sold 295mn shares in Engro Fertilizers to investors through private placements at Rs. 65.47 per share. The total transaction value was Rs. 19.3 bn (USD 184mn) out of which Foreigners purchased approximately 125.1mn shares which created foreign flows of USD ~78mn. For the transaction in Engro Foods, Engro Corporation has agreed to offload 51% of its stake (~391 mn shares) in the company to Friesland Campina at Rs. 120 per share, which will create foreign flows of approximately USD 450 mn. The successful completion of these transactions not only shows the depth of the equity market but also reflects the interest of foreign investors in Pakistan for the longer term.

## MSCI reclassification and Brexit

As part of its Annual Market Classification Review 2016, MSCI reclassified Pakistan from Frontier to Emerging markets with a 0.19% weight in the Emerging Markets Index. The development will put Pakistan's equity market on the larger radar as it will attract investments from Emerging Markets funds from across the globe. The MSCI Emerging Markets Index is tracked by global funds having cumulative worth of more than USD 1.7 trillion, according to Bloomberg. Although the weight of the Pakistani market is small in the Index, the size of funds tracking Emerging Markets is much higher than those tracking Frontier Markets and is expected to bring about foreign flows of USD 500-600 million to Pakistan in the coming years. After foreign outflows of USD 359 mn till April 2016, the last two months of the fiscal year saw inflows of USD 78mn largely because of MSCI's reclassification decision.

Towards the end of the fiscal year, Britain held the referendum to decide upon its stay in the European Union. The majority voted for Britain's exit from the European Union which led to heightened concerns about the British and European economies and the spillover effects. Even though equity markets initially tumbled on this news, but since then they have more than recovered the losses.

### Mutual Fund Industry Review

During the FY16, AUMs of the mutual fund industry witnessed an increase of 9.3%, taking the tally to Rs. 454 bn. Islamic funds increased by 25.7% during the period under review to Rs. 136 bn which brings share of Islamic funds at 30% in the mutual fund industry. Al Meezan improved its market share in the overall Mutual Funds industry to 15.7% as of June 2016 as opposed to 14.8% last year. Similarly, Al Meezan maintained its industry leader position among the Islamic Funds with a share of 52.4% as of June 2016.

In terms of net assets, open end sovereign, money market and income funds showed a growth in size during the year ended June 2016. The combined category showed a rise of 2.6% to reach Rs 201 bn at year end. While conventional funds in this category rose by 1.9%, Islamic funds increased by 5.7%.

Open end Equity funds (including capital protected, balanced, index tracker, and asset allocation) increased by 14.6% to Rs. 215 bn as of June 2016 compared to Rs. 188 bn as on June 2015. Conventional funds in this category increased by 4.4% while Islamic equity based funds showed an impressive growth of 38.1% in the period under review and stood at Rs. 84 bn.

Commodity funds in the industry surged to Rs. 668 mn at the end of this fiscal year compared to Rs 340 mn as on June 2015. The convincing growth of 102.3% was primarily led by Meezan Gold Fund (MGF), which launched in August 2015 and has achieved the industry leader status in less than a year.

Total pension Funds in the industry approached the Rs. 19bn mark as of June 2016, depicting a growth of 39.2% over the past year. Islamic Pension Funds continued to impress by registering a growth of 44.5% in the review period and crossing the Rs 11.5 bn mark as of June end.

Meezan Tahaffuz Pension Fund (MTPF) retained its 9 year lead since its inception in 2007 while witnessing further growth in FY16 at the same time. MTPF's market share clocked in at 34.8% at the end of June 2016, as opposed to 32.9% last year. In the Islamic sphere, MTPF has consolidated its leadership by increasing its market share to 56.9% from 55.9% last year.

In a market where several asset management companies offer both Islamic and conventional pension funds, MTPF has continued to prove its potential by competing with other pension funds in either category as a single largest VPS product and dominating the pension funds' universe.



## Performance Review (Funds)

The table provided below depicts a summary of performance of funds under our management for the year:

Name of Fund	Type	Net Assets June 30, 2016 (Rs. millions)	Growth in Net Assets for FY16 (%)	Return for FY16 (%)	Benchmark Return FY16 (%)
Al Meezan Mutual Fund (AMMF)	Open-End Equity	5,418	35.23	15.53	15.53
Meezan Islamic Fund (MIF)	Open-End Equity	32,554	18.80	17.40	15.53
KSE Meezan Index Fund (KMIF)	Open-End Index Tracker	882	(23.95)	13.32	15.53
Meezan Balanced Fund (MBF)	Open-End Balanced	4,708	39.14	12.10	9.51
Meezan Islamic Income Fund (MIIF)	Open-End Income	9,051	112.33	5.76	3.49
Meezan Cash Fund (MCF)	Open-End Money Market	3,432	(53.96)	4.59	4.49
Meezan Sovereign Fund (MSF)	Open-End Income Fund	7,945	(9.92)	5.12	4.49
Meezan Asset Allocation Fund	Open-Asset Allocation	460	N/A	2.76	5.01
Meezan Gold Fund	Open-Commodity	321	N/A	10.53	15.96
Meezan Capital Preservation Fund-II	Open-end Fund of Funds	1,221	(45.00)	11.24	8.89
Meezan Capital Preservation Fund-III***	Open-end Fund of Funds	0	N/A	(0.42)	2.82
<b>Meezan Tahaffuz Pension Fund</b>					
- Equity sub fund	Voluntary Pension Scheme	4,099	51.16	18.07	
- Debt sub fund		1,997	42.82	4.49	
- Money market sub fund		453	34.19	4.03	
<b>Meezan Financial Planning Fund of Funds</b>					
- Aggressive	Open-end Fund of Funds	443	24.26	13.28	11.66
- Moderate		367	14.55	11.29	10.01
- Conservative		327	37.59	8.71	6.70
- Plan I *		1,576	(0.92)	10.49	8.65
- Plan II **		3,035	(1.53)	6.48	5.60
- MAAF I#		1,278	N/A	11.67	14.92
- MAAF II##		925	N/A	14.80	18.29
- MAAF III###		2,851	N/A	13.46	17.08
- MAAF IV####		532	N/A	0.74	0.44
<b>Total</b>			<b>71,321</b>		

\* The Plan was launched on September 01, 2014, \*\* The Plan was launched on December 16, 2014, \*\*\*The Fund matured on January 28, 2016 with net Assets of Rs. 3,318 m, # The Plan was launched on July 10, 2015, ##The Plan was launched on November 24, 2015, ### The Plan was launched on January 26, 2016, #### The Plan was launched on May 23, 2016, N/A: Not Applicable

## Outlook

The reclassification of Pakistan in the MSCI Emerging Markets category is a catalyst driving the market's performance during the new fiscal year. While some political concerns may stay in the near term, it is pertinent to note that continued monetary softening, low international oil prices, Pakistan's stock market being attractive among peers on the basis of P/E multiple, strong corporate profitability, improving macroeconomic fundamentals and ongoing development under the China Pakistan Economic Corridor are expected to keep the equities strong and performing in the long run. Commodities, especially precious metals like Gold are expected to continue rising as the volatility in the global economic landscape is expected to keep the demand for Gold intact.

The continued foreign selling witnessed during FY16 has now turned into a net inflow since the last two months of the fiscal year and this trend is expected to continue as Pakistan's stock market is expected to experience considerable foreign inflows from International Emerging Market Funds on account of its reclassification in the MSCI Emerging Markets Index.

## Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible, offer themselves as auditors of the collective investment schemes under management of Al Meezan for FY 2016-17. The board of

directors on recommendation of the audit committee has approved their appointment for all the collective investment schemes under management of Al Meezan for FY 2016-17.

### Compliance with Code of Corporate Governance

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

- These financial statements, prepared by the management company of the Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Funds' ability to continue as a going concern.
- The sale and repurchase of units of the Funds carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children during the year are as under:

TRADES BY	DESIGNATION	MIF		MIIF		MCF		MSF		MBF		MGF	
		NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED
Mr. Ariful Islam	Chairman	23,412	-	-	39,193	-	-	-	-	-	-	-	-
Mr. Mohammad Shoaib, CFA	CEO	85,397	-	-	-	-	-	-	-	-	-	-	-
Mr. P. Ahmed	Director	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Abdullah Ahmed	Director	-	-	-	-	-	-	-	-	-	-	-	-
Syed Amir Ali	Director	-	-	-	-	30,249	-	-	-	-	-	-	-
Mr. Atif Azim	Director	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Tasnimul Haq Farooqui	Director	21,103	-	-	-	-	-	29,429	82,418	-	-	-	-
Mr. Moin M. Fudda	Director	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Mazhar Sharif	Director	-	35,800	-	3,300	-	-	43,521	61,400	-	-	-	-
Syed Amir Ali Zaidi	Director	-	-	29,215	-	-	-	-	-	-	-	-	-
Syed Owais Wasti	CFO	5,219	-	9,666	-	29,638	17,468	-	-	67,526	-	475	-

- Pattern of holding of units is given at the end of report of respective Fund.
- Financial highlights are given in the notes to the financial statements of respective Fund.



### **Board Meetings**

Details of Board Meetings and attendance therein is given in the notes to the financial statements of the Funds

### **Acknowledgement**

We take this opportunity to thank our valued investors for reposing their faith in Al Meezan Investments 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 our Trustee, The Central Depository Company of Pakistan for their support. Furthermore, we would like to thank the members of the Shariah Supervisory Board of Meezan Bank and Dr. Imran Ashraf Usmani, the Shariah Advisor for their continued assistance and support on Shariah aspects of fund management.

For and on behalf of the Board

Date: August 31, 2016



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

## ڈائریکٹرز رپورٹ

المیزان انویسٹمنٹ مینجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز 30 جون 2016ء کو ختم ہونے والے مالی سال کیلئے درج ذیل اوپن اینڈ فنڈز اور وائٹری پنشن اسکیم کے آڈٹ شدہ مالیاتی گوشواروں کو پیش کرتے ہوئے خوشی محسوس کر رہا ہے۔

### ایکویٹی فنڈز

- میزان اسلامک فنڈ
- المیزان میوچل فنڈ
- کے ایس ای۔ میزان انڈیکس فنڈ

### بیلنسڈ فنڈ

- میزان بیلنسڈ فنڈ

### ایسٹ ایلیویشن فنڈ

- میزان ایسٹ ایلیویشن فنڈ

### کموڈٹی فنڈ

- میزان گولڈ فنڈ

### اقتصادی جائزہ:

مجوزہ مالی سال کے دوران پاکستان کی اقتصادی کارکردگی نے بہتری ظاہر کی ہے اس کی وجہ آئی ایم ایف کی رہنمائی میں اصلاحات اور تیل کی عالمی قیمتوں میں مسلسل کمی ہے جس نے افراط زر کے دباؤ کو قابو میں رکھا اور ملک کے درآمدی بل کو بھی ہمارے حق میں بہتر رکھا۔ کنزیومر پرائس انڈیکس گزشتہ سال کے 4.53% کی نسبت مالیاتی سال 2016ء میں 2.86% رہا۔

افراط زر کے کم اعداد و شمار نے اسٹیٹ بینک کو اپنے نرم مالی موقف پر قائم و برقرار رکھا جس کے ذریعے شرح رعایت (ڈسکاؤنٹ ریٹ) 5.75% کی سطح پر لائی گئی جو کہ مالی سال 2016ء میں مجموعی طور پر 75bps کم کی گئی۔ یہ جاری مالیاتی آسانی و سہولت، نجی شعبے کی جانب سے قرضہ جات اٹھانے کیلئے حوصلہ افزا رہی جو کہ مالی سال 2016ء کے دوران بڑھ کر 331.2 ارب روپے ہو گئی جو گزشتہ سال 223 ارب روپے تھی۔ حکومت نے بھی شرح مبادلہ کے استحکام کے حصول میں کافی اچھی کارکردگی کا مظاہرہ کیا ہے جس کے ذریعے روپے کی قدر میں محض 2.92% کی کمی دیکھی گئی جبکہ اس خطے میں دیگر کرنسیز زیادہ طیران پذیر رہی ہیں۔ ملک کے ٹیکس نیٹ کو وسیع کرنے کے حکومتی اقدامات پر اگرچہ کاروباری برادری کی طرف سے ملاحظہ عمل آیا تاہم بینکاری لین دین پر ٹیکس گوشوارے جمع نہ کرانے والوں کیلئے 0.6% وڈ ہولڈنگ ٹیکس کا نفاذ اور ٹیکس وصولی کے حوالے سے تاجر طبقے کیلئے عام معافی کا منصوبہ حکومتی اداروں کی سنجیدگی کو ظاہر کرتا ہے۔ زیر جائزہ عرصے کے دوران، حکومت کے محصولات کا مجموعہ 3.1 کھرب روپے ہے جو گزشتہ سال کے اسی عرصے سے 20% زیادہ ہے۔

مجوزہ مالی سال کے دوران، پاکستان کی درآمدات کے بل میں 2.3% کمی رہی اور بل 44.8 ارب امریکی ڈالر پر آ گیا جو پچھلے مالی سال میں 45.8 ارب امریکی ڈالر تھا۔ کمتر تجارتی خسارہ، مشینری کی درآمدات، ترسیلات زر میں اضافہ (سال بہ سال 6.4% زیادہ جواب 19.9 ارب امریکی ڈالر ہے)، کم کاروباری خسارے اور جاری کولیشن سپورٹ فنڈ (سی ایس ایف) کی آمد جو کہ تقریباً 713 بلین امریکی ڈالر ہے، نے جاری خسارے کی کمی میں اہم کردار ادا کیا ہے۔

قطر کے ساتھ ایل این جی کا معاہدہ فروری 2016ء میں تکمیل پایا، جس نے توانائی کی کمی کی شکار صنعتوں کے احیاء میں مدد کی، ساتھ ہی کم ہوتی تیل کی قیمتیں ذخائر زبردستی مبادلہ کو درکار سکون فراہم کیا اور شرح مبادلے میں استحکام کو برقرار رکھنے میں بھی مدد و معاون ثابت ہوا۔ تاہم توانائی کی قلت میں راحت اور امن و امان کی بہتر صورتحال کے باوجود برآمدات سال بہ سال کے لحاظ سے 9% تک گر گئی ہیں۔ عالمی میدان میں (عدم مسابقت) بنیادی چیلنج ہے جس نے تسلسل سے برآمدات میں رکاوٹ پیدا کر رکھی ہے۔

ایکسٹینڈڈ فنڈ فیسلٹی (ای ایف ایف) پروگرام کے تحت آئی ایم ایف کے گیارہویں جائزے کا کامیاب اختتام اس عرصے کے دوران ایک ارب امریکی ڈالر کی مجموعی فراہمی کا سبب بنا جو زبردستی مبادلہ کے ذخائر کو 23 ارب امریکی ڈالر سے زائد کی تقویت پر منتج ہوا۔ حکومت نے یورو بونڈ کے اجراء سے 500 ملین امریکی ڈالر بین الاقوامی مارکیٹس سے اٹھانے کا بھی انتظام و انصرام کیا۔

بالجوع اقتصادی اساسیات حکومت کی جانب سے کی گئیں اصلاحات کے نتیجے میں بہتر ہو رہی ہیں۔ حکومت اپنے بڑے اہداف کے حصول کی جانب بھی گامزن ہے یعنی (1) افراط زر کی شرح کو 6% سے کم رکھنا، (2) مالی خسارے کو مجموعی ملکی پیداوار (جی ڈی پی) کے 4.45% تک لانا (3) مجموعی ملکی پیداوار کو 4.7% تک بڑھانا (4) امن عامہ کی صورت حال کو بہتر بنانا۔ سی پیک کے آغاز نے بھی ملکی معیشت کو تقویت فراہم کی ہے۔ بیرونی کھاتے (ایکسٹرنل اکاؤنٹ) پر دباؤ تیل کی کم ہوتی قیمتوں کی وجہ سے کم ہوتا دکھائی دیتا ہے کیونکہ یہ پاکستان کے مجموعی درآمدی بل کا لگ بھگ 35% ہے۔ سیاسی استحکام کے ساتھ، کم شرح سود اور سرمایہ کاروں کے مثبت امکانات، نجی شعبے اور صارف قرضہ جات کی اٹھان آئندہ سال میں مزید بڑھنے کی توقع ہے جس سے اقتصادی شرح نمو کو مزید تقویت ملے گی۔

#### بازار زر کا جائزہ:

مالی سال 2016ء کے دوران، اسٹیٹ بینک اپنے نرم مالیاتی موقف پر کاربند رہتے ہوئے شرح رعایت (ڈسکاؤنٹ ریٹ) میں اپنے دو ماہی مونٹری پالیسی اسٹیٹمنٹ (MPS) جو کہ مئی 2016ء میں اعلان کیا گیا 25bps کی کمی کردی اور اسے 6.25% (اور نارگٹ پالیسی ریٹ کو 5.75%) کی ریکارڈ کمی تک لے آیا۔ اسٹیٹ بینک کے مطابق، کم افراط زر اور ملک کی اطمینان بخش بیرونی کھاتے کی صورتحال نے اس شرح رعایت میں کمی کیلئے ڈھال فراہم کی۔ مالی سال 2016ء میں مجموعی ڈسکاؤنٹ ریٹ 75bps کم ہوا جو کہ گزشتہ مالی سال 2015ء میں 300bps سے کم ہوا۔ مالیاتی منظر نامے کی مطابقت میں شرح منافع اور ثانوی بازار میں گورنمنٹ پیپر شرح منافع کی قدر میں کمی کے باعث KIBOR 100-76bps نیچے رہا۔ ٹی بلز 105-107bps جبکہ پی آئی بی کی یافت قابل ذکر 187-238bps اس زیر جائزہ عرصے میں نیچے گرے ہیں۔

سیالیت (Liquidity) کے محاذ پر، بازار زر نے اس عرصے کے دوران قدرے سخت سیالیتی منظر نامے کا سامنا کیا ہے، اسٹیٹ بینک کی مختلف اوپن مارکیٹ آپریشنز (OMO) کے ذریعے 66 کھرب روپے فراہم کیے جس کے ساتھ 1.80 کھرب روپے مالیت کی رعایتیں (Discounts) مختلف کاؤنٹرز کی جانب سے حاصل کی گئیں جو صرف 546 ارب روپے مالیت کے او ایم او کی (mop-ups) اور 486 ارب روپے مالیت کی فلور پلیٹس کے مقابلے میں تھیں۔ اس کے ساتھ 26 عدد T.Bills، 12 عدد PIBs نیلام بھی کیے گئے، 4.6 کھرب روپے مجموعی طور پر 8.9 کھرب روپے کی ٹی بلز میں شرکت کے عوض قبول کیے گئے اور مالی سال 2016 میں PIBs میں لگ بھگ 924 ارب روپے کی شرکت کے عوض 2.5 کھرب روپے قبول کئے گئے۔

مالی سال 2016ء کا اوسط افراط زر 2.86% پر کھڑا ہے۔ بین الاقوامی سطح پر تیل اور ایشیائے صرف کی کم قیمتیں متوقع طور پر اسٹیٹ بینک کی مالی سال 2017ء کی پیش گوئیوں کے ساتھ افراط زر کو 4.5% تا 5.5% کی حدود میں رکھیں گی۔

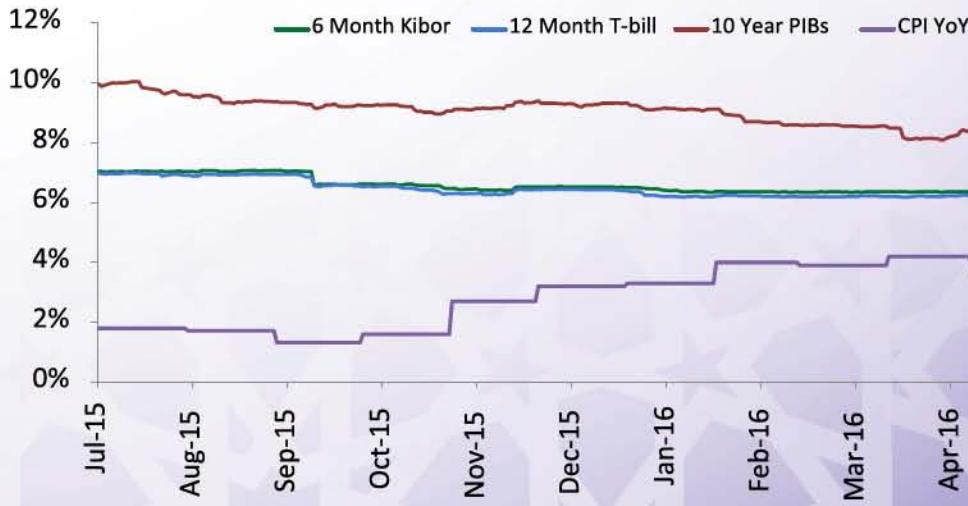
بازار زر کا شریعہ سے ہم آہنگ سراء، جسے سرمایہ کاری کے مواقع کی قلت کے سبب زریسیال کی بہتات کے مسئلے کا سامنا ہے کو تھوڑا سکون اس وقت میسر آیا جب حکومت نے اسلامی مارکیٹ آف پبلسٹریٹی او ایم اوز/ اجارہ صکوک 9 تا 13 جنوری 2015ء میں پختہ ہوئے؛ کیلئے بیچ معجل، ان بیچ معجل نے مجموعی طور پر اسلامی بینکس کی جانب سے 225 ارب روپے کی شرکت ظاہر کی جس کے مقابلے میں اسٹیٹ بینک نے ایک سال کے ضمن میں 209 ارب روپے مالیت کی بولیوں کو قبول کیا اور بازار کو ضمنی اجارہ صکوک کے پختہ ہونے پر بہت بڑے زریسیال کی سرایت کر جانے سے بچالیا۔ ایک اور بیچ معجل کا مارچ 2016ء میں اجارہ XIV کے عوض ایک سال کیلئے فقط اس کی پختگی سے پہلے تک اہتمام کیا گیا۔ اسٹیٹ بینک نے 21.5 ارب روپے مالیت کی بولیوں کو قبول کیا بمقابلہ شرکت 32 ارب روپے کے۔

مزید یہ کہ تین تازہ حکومت پاکستان کے اجارہ صکوک (ایک غیر جامد اور دو جامد شرح جات کے ساتھ) مالی سال 2016ء کے دوران جاری کیے گئے جس کی تفصیل حسب ذیل ہے:

3 Year GoP Ijarah Sukuks (GIS)		(Rs. in billion)		
Particulars	GIS-16	GIS-17	GIS-18	
Auction Date	15-Dec-15	8-Feb-16	24-Mar-16	
Settlement Date	18-Dec-15	15-Feb-16	29-Mar-16	
Maturity Date	18-Dec-18	15-Feb-19	29-Mar-19	
Type	Floater	Fixed Rate	Fixed Rate	
Target	100.00	100.00	80.00	
Total Participation	273.30	245.37	198.76	
Total Acceptance	117.72	116.26	80.40	
Cutoff Rate	5.89%	6.10%	5.59%	

زرمبادلہ کے محاذ پر، روپے کی قدر کم ہوئی اور جیسا کہ آئی ایم ایف کی رپورٹ میں کہا گیا کہ روپیہ باقی کرنسیز کی نسبت ڈالر کے مقابلے میں 5% تا 20% مستحکم رہا۔ انٹرنیٹ مارکیٹ میں 3.04 روپے کی کمی سے فی ڈالر 104.84 روپے پر بند ہوئی، جبکہ کھلی مارکیٹ ثانوی بازار 2.15 کی کمی سے 105.10 روپے فی ڈالر پر بند ہوئی۔

مجموعی شرح سود PIBs/T.Bills کی قدر (آمدن) اور افراط زر کی شرح کے طور طریقوں کو گراف کی مدد سے درج ذیل سے دیکھا جاسکتا ہے:



## بازار حصص کا جائزہ:

مالی سال 2016ء کے دوران کے ایم آئی-30 انڈیکس %15.5 اضافے کے ساتھ 66,163 پوائنٹس رہی جبکہ کے ایس ای-100 انڈیکس %9.8 اضافے کے ساتھ 37,783 پوائنٹس پر بند ہوا۔ اس عرصے کے دوران مارکیٹ میں شراکت کے ایم آئی-30 انڈیکس کے حجم کے ساتھ %11 کی مندی اور کے ایس ای-100 انڈیکس کے حجم میں %19 کی مندی کے ساتھ کم رہی۔

مارکیٹ میں کارکردگی کو ان چیزوں سے منسوب کیا جاسکتا ہے: (i) MSC کے فیصلے یعنی پاکستان کی فرنیچر مارکیٹ سے ایمر جنگ مارکیٹ میں دوبارہ درجہ بندی جس سے نہ صرف توقع ہے کہ 500 ملین روپے کی بیرونی آمد ہو بلکہ ہمارے حصص مارکیٹ کو عالمی طور پر ایک بڑی ایمر جنگ مارکیٹ فنڈز کے طور پر نمایاں کرے (ii) مالی سال 2016ء کے دوران 75bps کی شرح سے کمی (iii) 500 ملین امریکی ڈالر کے ایک یورو بانڈ کا کامیاب اجرا اور پاکستان کی انٹرنیشنل کریڈٹ ریٹنگ میں بہتری (iv) کامیابی سے قرضے کی قسط کی فراہمی کے ساتھ آئی ایم ایف کے جائزے کا کامیاب اختتام (v) ملک کے امن وامان کے صورتحال میں بہتری، منفی عوامل کے اثرات نے مالی سال کے پہلے نو ماہ کے دوران مارکیٹ کو سست رکھا جیسا کہ (i) علاقائی ساتھ ساتھ عالمی ایکویٹی مارکیٹ میں کمزوری جس سے امریکی فیڈ ریٹ 75bps بڑھا اور چینی معیشت سست روی کا شکار رہی جس کے باعث مالی سال کے پہلے 10 مہینوں میں پاکستان کی اسٹاک مارکیٹ سے 359 ملین امریکی ڈالر کی بیرونی فروخت ہوئی (ii) اسٹاک ایکسچینج بروکرز کے خلاف ریگولیشنز یعنی ضابطہ کار کی جانب سے سخت نگرانی کی مختلف افواہیں (iii) ایشیائے صرف اور خاص طور پر تیل کی گرتی ہوئی قیمتیں (iv) برطانیہ کا یورپی یونین چھوڑنے کے ووٹ پر پیش بندی اور (v) الیکشن ٹریبونل کے فیصلے کے بعد اٹھتا ہوا سیاسی شور شرابا اور بااثر شخصیات کی گرفتاری۔

مالی سال 2016ء بہتر کارکردگی کے مثبت شگنوں سے شروع ہوا؛ اس بلندی کو ایک ماہانہ سی پی آئی نمبر میں کمی اور بعد ازاں متوقع مالیاتی نرمی، بڑھتے ہوئے زرمبادلہ کے ذخائر اور حکومت کے خلاف انتخابات میں دھاندلی کے الزامات کو عدالتی کمیشن کے برخاستگی سے منسوب کیا جاتا ہے۔ تاہم چینی معیشت کی شرح نمو میں کمی نے تمام بین الاقوامی اسٹاک ایکسچینجز میں غیر یقینی کی لہر کو دوڑا دیا کیونکہ بین الاقوامی سرمایہ کار عالمی معیشت میں مندی کے خوف سے ہچکچاہٹ کا شکار ہو گئے؛ پاکستان کی اسٹاک مارکیٹ سے سرمایہ کاری کا باہر چلا جانا بھی اسی کا شکار تھا اور یہی کچھ تمام اُبھرتی مارکیٹس میں ہوا۔ بعد میں امریکی فیڈرل ریزرو ریٹ میں چڑھاؤ سے متعلق توقعات (جو اس دہائی میں پہلی بار دسمبر میں 25bps میں اضافے کی شکل میں نمودار ہوا) نے مارکیٹ کو غیر مستحکم رکھا کیونکہ اس نے بین الاقوامی سرمایہ کاروں کو اپنے سرمایہ کاری کے تحفظ (پورٹفولیو) کو اس کے مطابق دوسری جگہ منتقل کرنے پر آمادہ کیا۔ اس کے بعد تیسری سہ ماہی میں، غیر استحکامی و طیران پذیری کا ایک اور دور شروع ہوا جو علاقائی کے ساتھ ساتھ بین الاقوامی مارکیٹ پر بھی اثر پذیر ہوا جس کی بنیادی وجہ چینی معیشت کی شرح نمو میں کمی سے متعلق تشویش تھی جس نے عالمی معیشت کے منظر نامے کو بھی دھندلا دیا۔ اس پر متزاد ایشیائے صرف کی گرتی ہوئی قیمتوں نے بین الاقوامی سرمایہ کاروں کو متذبذب کر دیا جس سے دنیا بھر کی مارکیٹس میں وسیع پیمانے پر فروخت شروع ہو گئی جس سے مزید غیر مستحکم صورتحال پیدا ہوئی اور پاکستان کی اسٹاک مارکیٹ بھی متاثر ہوئے بغیر نہ رہ سکی۔ اس کا نتیجہ یہ نکلا کہ KMI-30 16 فروری 2016ء میں کم ترین سطح 51,626 پوائنٹس (KSE-100 انڈیکس 30,564 پوائنٹس) پر آ گیا۔

اس کے بعد مارکیٹ نے اپنا استحکام پھر حاصل کر لیا اس حقیقت کے باوجود کہ غیر ملکی ہی خالصتاً فروخت کنندگان تھے، ایک جلد استرداد دیا اصلاح MSCI فرنیچر سے MSCI ایمر جنگ مارکیٹ انڈیکس کی طرف سے پاکستان کی نئی درجہ بندی کے امکان کی مدد سے مشاہدے میں آئی۔ اسٹاک مارکیٹ میں حجم کے اضافے کیلئے SECP کی جانب سے اقدامات کیے جا رہے ہیں اور پیداوار کے منجمد ہونے کی توقعات کے سبب تیل کی قیمتیں بھی مستحکم ہو رہی ہیں۔ تاہم کاروباری نتائج کے اعلانات توقعات سے ماورا تھے اور مارکیٹ کو انتہائی مطلوب مدد فراہم کر رہے تھے زیر جائزہ عرصے کے دوران، بالآخر، بیچ مارک انڈیکس KMI-30 نے جون 2016ء میں اپنے بلند ترین کلوزنگ پوائنٹس 67,519 (KSE-100 انڈیکس 38,777 پوائنٹس) حاصل کیے۔

ادارہ جاتی منافع اور انڈیکس میں بڑے حصے ڈالنے والے

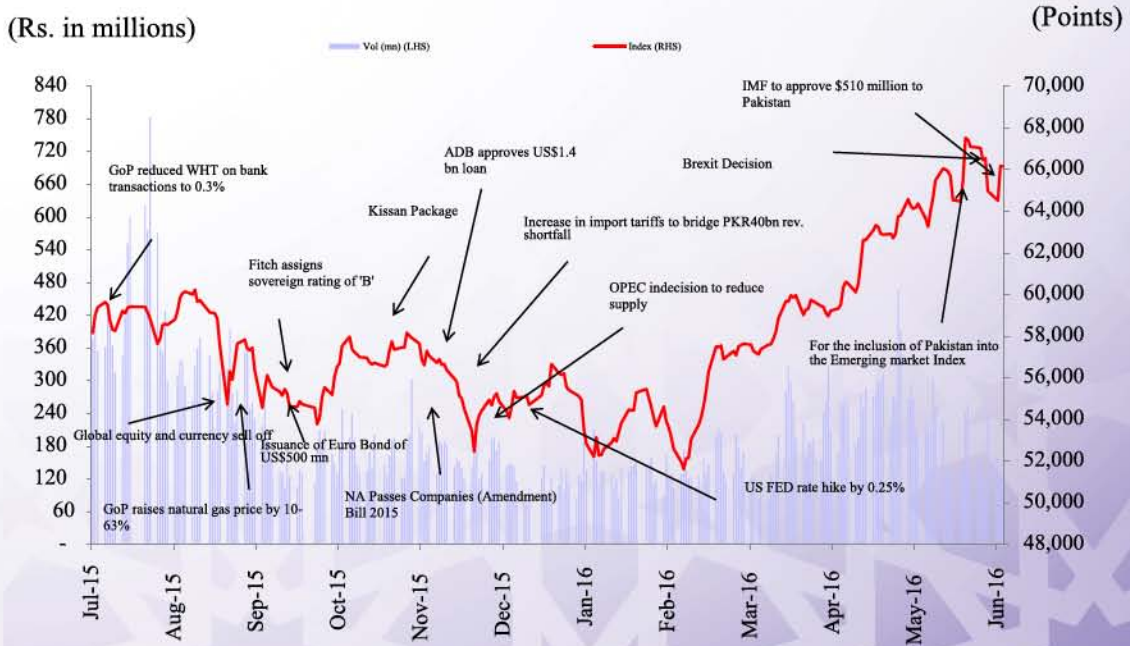
مالی سال 2016ء کے دوران، توانائی اور سینٹ کے ادارے بہترین کارکردگی والے شعبہ جات تھے۔ اس عرصے کے دوران، بہترین کارکردگی والے شراکت دار یہ تھے:

Positive Contributors to the Index	Contribution to KMI-30 (Points)	Total Return (%)
HUB Power Company Ltd.	1643	45.2
Lucky Cement Ltd.	1272	26.8
The Searle Company Ltd.	899	129.5
Dawood Hercules Corporation Ltd.	816	48.5
Engro Corporation Ltd.	746	19.9

دوسری طرف کھادا اور آئل اینڈ گیس ایکسپلوریشن بری کارکردگی کا مظاہرہ کرنے والے شعبے رہے۔ اس مدت کے دوران KMI (کے ایم آئی) میں بری کارکردگی کے اسٹاک یہ تھے:

Negative Contributors to the Index	Contribution to KMI-30 (Points)	Total Return (%)
Fauji Fertilizer Company Ltd	-1607	-16.5
Pakistan State Oil Ltd	-582	-0.5
Engro Fertilizers Ltd	-495	-21.6
Pakistan Oilfields Ltd.	-345	-0.9
Pakistan Telecommunications Company Ltd.	-219	-18.1

اس عرصے کے دوران کے ایم آئی-30 کی مجموعی حرکت کو درج ذیل گراف سے دیکھا جاسکتا ہے:



## حصص کا بہاؤ:

زیر تبصرہ عرصے کے دوران غیر ملکی سرمایہ کاروں کی جانب سے 286 ملین امریکی ڈالر کا اخراج اسٹاک مارکیٹ کے مشاہدے میں آیا۔ بینکنگ سیکٹر میں بلند ترین اخراج 138 ملین امریکی ڈالر ریکارڈ کیا گیا جس میں نمایاں ایچ بی ایل، یو بی ایل اور ایم سی بی تھے۔ بعد ازاں آئل اینڈ گیس ایکسپلوریشن میں 121 ملین ڈالر کا اخراج رہا جبکہ فریٹلائزر میں غیر ملکی فروخت 48 ملین امریکی ڈالر، ٹیکسٹائل سیکٹر میں 32 ملین امریکی ڈالر جبکہ ٹیکنالوجی اور کمیونیکیشن میں 5 ملین امریکی ڈالر کی آمد دیکھی گئی۔ این بی ایف سیز کمپنیز اور انفرادی، میوچل فنڈز، اور دوسری آرگنائزیشنز علی الترتیب 188 ملین امریکی ڈالر، 127 ملین امریکی ڈالر، 39 ملین امریکی ڈالر اور 40 ملین امریکی ڈالر کے ساتھ خالص خریدار رہے۔ کمپنیز، بینکرز اور پینکس علی الترتیب 84 ملین امریکی ڈالر، 22 ملین امریکی ڈالر اور 6 ملین امریکی ڈالر کے ساتھ نیٹ سیلرز رہے۔

سال کے دوران کچھ بڑی اسٹاک مارکیٹ کے درمیان درج ذیل زیادہ اہمیت کی حامل رہیں: مالی سال کے اختتام پر اینگرو کارپوریشن نے جزوی طور پر اپنے اسٹیک کو دو معاونین اینگرو فریٹلائزرز اور اینگرو فوڈز میں تقسیم کر دیا۔ کمپنی نے 65.47 روپے فی شیئر کی پرائیویٹ پبلسٹی کے ذریعے اینگرو فریٹلائزرز میں سرمایہ کاروں کو 295 ملین شیئرز فروخت کیے۔ کل ٹرانزیکشن کی مالیت 19.3 بلین روپے (184 ملین امریکی ڈالر) تھی جس میں سے غیر ملکی سرمایہ کاروں نے تقریباً 125.1 ملین شیئرز خریدے جس نے 78 ملین امریکی ڈالر کا غیر ملکی بہاؤ ترتیب دیا۔ اینگرو فوڈز میں ہونے والی ٹرانزیکشن میں اینگرو کارپوریشن نے کمپنی میں Friesland Campina کی خاطر 120 روپے فی شیئر کے حساب سے اپنے 51% اسٹیک (391 ملین شیئرز) کو آف لوڈ کرنے پر آمادگی ظاہر کی جس سے تقریباً 450 ملین امریکی ڈالر کا غیر ملکی بہاؤ ترتیب پایا۔ ان ٹرانزیکشنز کی کامیاب تکمیل نہ صرف ایکویٹی مارکیٹ کی گہرائی کو ظاہر کرتی ہے بلکہ پاکستان میں غیر ملکی سرمایہ کاروں کی طویل مدتی دلچسپی کی آئینہ دار بھی ہے۔

## MSCI کی از سر نو درجہ بندی اور Brexit:

2016ء کے سالانہ مارکیٹ درجہ بندی کے جائزے کے تحت، MSCI نے پاکستان کی فرنیچر سے ایمرجنگ مارکیٹ میں 0.19% وزن کے ساتھ ایمرجنگ مارکیٹ انڈیکس میں از سر نو درجہ بندی کی۔ یہ بہتری پاکستان کی ایکویٹی مارکیٹ کو اس قابل بنائے گی کہ وہ دنیا بھر کی ابھرتی ہوئی مارکیٹس فنڈز سے انویسٹمنٹس کی توجہ اپنی جانب مبذول کرا سکے۔ بلوم برگ کے مطابق، MSCI ایمرجنگ مارکیٹس انڈیکس 1.7 کھرب امریکی ڈالر کی مجموعی مالیت سے زائد کی نشاندہی کرتا ہے۔ اگرچہ انڈیکس میں پاکستانی مارکیٹ کا وزن کم ہے، فنڈ ٹریڈنگ ایمرجنگ مارکیٹس کا حجم فرنیچر مارکیٹس کے حجم سے کافی زیادہ ہے اور توقع ہے کہ آنے والے سالوں میں پاکستان کو 600-500 ملین امریکی ڈالر کا بیرونی سرمایہ کا بہاؤ دلائے۔ اپریل 2016ء تک 359 ملین امریکی ڈالر کی بیرونی آؤٹ فلو کے بعد، مالی سال کے آخری دو ماہ میں 78 ملین امریکی ڈالر کی بڑی آمد MSCI کی از سر نو درجہ بندی کے فیصلے کی وجہ سے دیکھی گئی۔

مالی سال کے اختتام پر، برطانیہ نے یورپی یونین میں اپنے قیام کے فیصلے کیلئے ریفرنڈم منعقد کیا۔ اکثریت نے یورپی یونین سے اخراج کے حوالے سے ووٹ دیا جس نے برطانوی اور یورپی معیشت کے حوالے سے سخت تشویش پیدا کی اور ان کے پھیلاؤ پر اثر انداز ہوئی۔ حتیٰ کہ ایکویٹی مارکیٹ اس خبر سے ابتدائی طور پر شدید متاثر ہوئی لیکن بعد میں وہ نقصانات کا ازالہ کرنے میں کامیاب ہوئے۔

## میوچل فنڈ انڈسٹری کا جائزہ:

مالی سال 2016ء کے دوران، میوچل فنڈ انڈسٹری کے زیر انتظام اثاثہ جات نے 9.3% اضافہ کے ساتھ اسکی جسامت 454 ارب روپے ہونے کا مشاہدہ کیا۔ اسلامی فنڈز زیر جائزہ عرصے کے دوران 136 ارب روپے ہو گیا جو 25.7% اضافہ ہے جس سے میوچل فنڈ انڈسٹری میں اسلامی فنڈز کے حصے میں 30% اضافہ ہو گیا۔ جون 2016ء کے اختتام پر المیز ان کا میوچل فنڈ انڈسٹری میں مجموعی حصہ 15.7% ہے جبکہ یہ مجموعی حصہ پچھلے سال 14.8% تھا۔ المیز ان نے جون 2016ء کے اختتام پر 52.4% شیئرز کے ساتھ انڈسٹری میں اپنے قائدانہ کردار کو برقرار رکھا۔

خالص اثاثہ جات کے لحاظ سے، بازار زرا اور انکم فنڈز نے جون 2016ء کو ختم ہونے والے مالی سال کے دوران جسامت کے لحاظ سے اضافہ ظاہر کیا ہے۔ مشترکہ کیٹگری (زمرہ) نے اس عرصے کے اختتام پر 201 ارب روپے پر پہنچ کر 2.6% اضافہ ظاہر کیا ہے۔ جبکہ روایتی (کنوشل) فنڈ نے اس کیٹگری میں 1.9% اضافہ اور اسلامی فنڈز میں 5.7% اضافہ کیا۔

اوپن اینڈ ایڈوائسری فنڈز (بشمول کیٹگری پروڈیکٹ، ہیلسنڈ، انڈیکس ٹریڈر اور ایسٹ ایلیوشن) جون 2016ء کے مطابق 215 ارب روپے سے 14.6% بڑھ گیا جو 30 جون 2015ء پر مقابلاً 188 ارب روپے تھا۔ اس کیٹگری میں روایتی فنڈز میں 4.4% اضافہ رہا جبکہ اسلامک ایڈوائسری بیسڈ فنڈز نے زیر جائزہ عرصے میں 38.1% کا معقول اضافہ ظاہر کیا اور 84 ارب روپے پر قائم رہا۔

اس مالی سال کے اختتام پر انڈسٹری میں کموڈٹی فنڈز میں 668 ملین کا اضافہ ہوا جو کہ جون 2015ء میں 340 ملین تھا۔ یہ اطمینان بخش 102.3% اضافہ بنیادی طور پر میزبان گولڈ فنڈ (MGF) کے باعث ہوا جو اگست 2015 میں قائم کیا گیا تھا اور ایک سال سے کم مدت میں اس نے انڈسٹری کے لیڈر کے طور پر خود کو منوایا۔

پچھلے سال کے مقابلے میں کل پنشن فنڈز میں 39.2% اضافے کے ساتھ جون 2016ء کو 19 ارب روپے رہا۔ زیر جائزہ مدت میں اسلامک پنشن فنڈز مارکیٹ پر اثر انداز رہا اور 44.5% اضافے کے ساتھ جون کے اختتام پر 11.5 ارب روپے کا حامل ٹھہرا۔

میزان تحفظ پنشن فنڈ (MTPF) نے اپنی 9 سالہ لیڈ کو برقرار رکھا جو 2007ء سے قائم ہے اور 2016 میں اس میں مزید بہتری دیکھی گئی۔ میزبان تحفظ پنشن فنڈ (MTPF) کا مارکیٹ شیئر جون 2016ء کے اختتام پر 34.8% تھا جو گزشتہ سال کے اسی عرصے میں 32.9% تھا۔ جبکہ اسلامک پنشن فنڈز کے شعبے میں MTPF کا حصہ 56.9% ہے جو گزشتہ سال کے اسی عرصے میں 55.9% تھا۔

مارکیٹ میں جہاں دیگر منجمنٹ کمیٹیز بھی اسلامک اور روایتی پنشن فنڈز کے حوالے سے کام کر رہی ہیں میزبان تحفظ پنشن فنڈ (MTPF) نے اپنی بہتر کارکردگی کو برقرار رکھا اور دیگر پنشن فنڈز سے مسابقت کی اور پنشن فنڈز کی کائنات میں غلبے کا حامل ٹھہرا۔

کارکردگی کا جائزہ (پنشن فنڈز):

درج ذیل جدول میزبان تحفظ پنشن فنڈ (MTPF) کے زیر انتظام اثاثہ جات کی کل پنشن فنڈز اور اسلامک پنشن فنڈز کی گزشتہ پانچ سالوں کی کارکردگی کی مکمل تصویر کشی کرتا ہے۔ یہ ظاہر کرتا ہے کہ میزبان تحفظ پنشن فنڈ (MTPF) پنشن فنڈز انڈسٹری کا ایک لازمی جز ہے۔





## کارکردگی کا جائزہ (فٹوز):

زیر جائزہ عرصے کیلئے درج ذیل جدول ہمارے زیر انتظام اثاثہ جات کی کارکردگی کی مکمل تصویر کشی کرتا ہے:

Name of Fund	Type	Net Assets June 30, 2016 (Rs. millions)	Growth in Net Assets for FY16 (%)	Return for FY16 (%)	Benchmark Return FY16 (%)
Al Meezan Mutual Fund (AMMF)	Open-End Equity	5,418	35.23	15.53	15.53
Meezan Islamic Fund (MIF)	Open-End Equity	32,554	18.80	17.40	15.53
KSE Meezan Index Fund (KMIF)	Open-End Index Tracker	882	(23.95)	13.32	15.53
Meezan Balanced Fund (MBF)	Open-End Balanced	4,708	39.14	12.10	9.51
Meezan Islamic Income Fund (MIIF)	Open-End Income	9,051	112.33	5.76	3.49
Meezan Cash Fund (MCF)	Open-End Money Market	3,432	(53.96)	4.59	4.49
Meezan Sovereign Fund (MSF)	Open-End Income Fund	7,945	(9.92)	5.12	4.49
Meezan Asset Allocation Fund	Open-Asset Allocation	460	N/A	2.76	5.01
Meezan Gold Fund	Open-Commodity	321	N/A	10.53	15.96
Meezan Capital Preservation Fund-II	Open-end Fund of Funds	1,221	(45.00)	11.24	8.89
Meezan Capital Preservation Fund-III***	Open-end Fund of Funds	0	N/A	(0.42)	2.82
<b>Meezan Tahaffuz Pension Fund</b>					
- Equity sub fund	Voluntary Pension Scheme	4,099	51.16	18.07	
- Debt sub fund		1,997	42.82	4.49	
- Money market sub fund		453	34.19	4.03	
<b>Meezan Financial Planning Fund of Funds</b>					
- Aggressive	Open-end Fund of Funds	443	24.26	13.28	11.66
- Moderate		367	14.55	11.29	10.01
- Conservative		327	37.59	8.71	6.70
- Plan I *		1,576	(0.92)	10.49	8.65
- Plan II **		3,035	(1.53)	6.48	5.60
- MAAF I#		1,278	N/A	11.67	14.92
- MAAF II##		925	N/A	14.80	18.29
- MAAF III###		2,851	N/A	13.46	17.08
- MAAF IV####		532	N/A	0.74	0.44
<b>Total</b>			<b>71,321</b>		

\* The Plan was launched on September 01, 2014, \*\* The Plan was launched on December 16, 2014, \*\*\*The Fund matured on January 28, 2016 with net Assets of Rs. 3,318 m, # The Plan was launched on July 10, 2015, ##The Plan was launched on November 24, 2015, ### The Plan was launched on January 26, 2016, #### The Plan was launched on May 23, 2016, N/A: Not Applicable

## توقعات (Outlooks)

MSCI ایمرجنگ مارکیٹ میں پاکستان کی دوبارہ درجہ بندی نئے مالی سال میں مارکیٹ کی کارکردگی میں ایک عمل انگیز کا کردار ادا کرے گی۔ جبکہ کچھ سیاسی مسائل آنے والے دنوں میں برقرار رہ سکتے ہیں۔ گرتی ہوئی تیل کی قیمتیں، پاکستان اسٹاک مارکیٹ کو P/E کی بنیاد پر پرکشش بناتی ہیں۔ مستحکم کارپوریٹ منافع توقع کرتا ہے کہ مائکرو اکنامک فنڈ منٹلز میں بہتری اور جاری چائنا پاکستان اکنامک کارڈور کی ترقی سے امید ہے کہ حصص کو مستحکم کرے اور طویل مدت تک ترقی کا باعث بنے۔ کوڈیٹرز بالخصوص قیمتی دھاتیں جیسا کہ سونا کے تار چڑھاؤ کے حوالے سے توقع ہے کہ اس کی قدر میں اضافہ ہوگا اور عالمی معاشی منظر نامے میں اس کی قدر برقرار رہے گی۔

مسلسل غیر ملکی فروخت مالی سال 2016ء میں اس مالی سال کے پچھلے دو مہینوں میں نیٹ آمد میں تبدیل ہوئی ہے۔ توقع ہے کہ یہ رجحان جاری رہے گا جیسا کہ پاکستان کی اسٹاک مارکیٹ سے توقع ہے کہ وہ MSCI ایمرجنگ مارکرز انڈیکس میں پاکستان اسٹاک ایکسیج کی از سر نو درجہ بندی انٹرنیشنل ایمرجنگ مارکیٹ فنڈز سے بیرونی آمد میں بہتری ہوگی۔

آڈیٹرز:

موجودہ آڈیٹرز M/S KPMG Taseer Hadi & Co انڈین اکاؤنٹنٹس سکڈوش ہو چکے لیکن اہلیت رکھنے کے باعث اپنی خدمات المیز ان مینجمنٹ کے تحت کلکٹیو انویسٹمنٹ اسکیم برائے مالیاتی سال 2016-17ء کیلئے پیش کر رہے ہیں۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر مالیاتی سال 2016-17ء کیلئے المیز ان مینجمنٹ کے تحت تمام کلکٹیو انویسٹمنٹ اسکیمز کیلئے ان کی تعیناتی کر چکا ہے۔

کارپوریٹ گورننس کے ضابطے کی تعمیل کے ساتھ:

المیز ان انویسٹمنٹ مینجمنٹ لمیٹڈ ہمیشہ کارپوریٹ گورننس کے اعلیٰ ترین معیارات کو برقرار رکھنے کی کوشش کرتا ہے۔ کارپوریٹ گورننس کے ضابطے کی تعمیل کے ساتھ، بورڈ آف ڈائریکٹرز اعلامیہ پیش کرتا ہے کہ:

- یہ مالیاتی بیانیے، فنڈ کی مینجمنٹ کمپنی کی طرف سے تیار کیے گئے، فنڈ کے معاملات کا بیان، اس کی عملیت کے اثرات، نقدی کا بہاؤ، اور سیالیت میں تبدیلی شفافیت کے ساتھ پیش کی گئی ہے۔
  - فنڈ کیلئے باقاعدہ کھاتوں کا اہتمام کیا گیا ہے۔
  - مالیاتی بیانیوں کی تیاری اور دانشمندانہ فیصلوں کی بنیاد پر اکاؤنٹنگ سٹیٹمنٹس کی تیاری کیلئے مناسب پالیسیز کو تسلسل سے نافذ کیا گیا۔
  - مالیاتی بیانیوں کی تیاری میں بین الاقوامی اکاؤنٹنگ کے معیارات اور بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے۔
  - اندرونی طور پر کنٹرول کا نظام اپنے ڈیزائن میں محفوظ ہے اور موثر طور پر اس پر عملدرآمد کیا جاتا ہے اور اس کی نگرانی کی جاتی ہے۔
  - فنڈ کی ترقی کی صلاحیت کے حوالے سے کسی قسم کے تحفظات اور خدشات نہیں ہیں۔
- ڈائریکٹرز، سی ای او، سی ایف او اور مینجمنٹ کمیٹی کے سیکریٹری بشمول ان کے زوج اور چھوٹے بچوں کے فنڈز کے یونٹ کی خرید و فروخت حسب ذیل رہی:

TRADES BY	DESIGNATION	MIF		MIIF		MCF		MSF		MBF		MGF	
		NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED
Mr. Ariful Islam	Chairman	23,412	-	-	39,193	-	-	-	-	-	-	-	-
Mr. Mohammad Shoab, CFA	CEO	85,397	-	-	-	-	-	-	-	-	-	-	-
Mr. P. Ahmed	Director	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Abdullah Ahmed	Director	-	-	-	-	-	-	-	-	-	-	-	-
Syed Amir Ali	Director	-	-	-	-	30,249	-	-	-	-	-	-	-
Mr. Atif Azim	Director	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Tasnimul Haq Farooqui	Director	21,103	-	-	-	-	-	29,429	82,418	-	-	-	-
Mr. Moin M. Fudda	Director	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Mazhar Sharif	Director	-	35,800	-	3,300	-	-	43,521	61,400	-	-	-	-
Syed Amir Ali Zaidi	Director	-	-	29,215	-	-	-	-	-	-	-	-	-
Syed Owais Wasti	CFO	5,219	-	9,666	-	29,638	17,468	-	-	67,526	-	475	-

- یونٹس کی ملکیت کا پیٹرن متعلقہ فنڈ کی رپورٹ کے آخر میں دیا گیا ہے۔
- مالیاتی جھلکیاں متعلقہ فنڈ کی مالیاتی بیانیوں کے نوٹس میں دی گئی ہیں۔

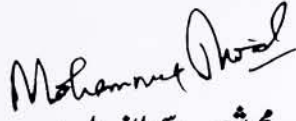
بورڈ کے اجلاس

بورڈ کے اجلاس اور حاضری کی تفصیلات فنڈ کے مالیاتی بیانیے کے نوٹس میں دی گئی ہے۔

## اعتراف و اظہار تشکر:

ہم اس موقع کو غنیمت جانتے ہوئے اپنے قابل احترام سرمایہ کاروں کا تہ دل سے شکر یہ ادا کرتے ہیں جنہوں نے المیزان انویسٹمنٹس پر اپنے اعتماد کا بھرپور مظاہرہ کرتے ہوئے اُسے پاکستان میں نجی شعبے میں اثاثہ جات کی انتظام کاری کرنے والا سب سے بڑا ادارہ بنا دیا ہے۔ ہم ضابطہ کار ادارے، سیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور اپنے ٹرسٹی سینٹرل ڈپازٹری کمپنی آف پاکستان (CDC) کے تعاون پر بھی اُن کے شکر گزار ہیں۔ اس کے علاوہ ہم میزان بینک کے شریعہ سپروائزر بورڈ کے ارکان کی مسلسل اعانت اور اثاثہ جات کی انتظام کاری کے شرعی پہلوؤں پر اُن کی رہنمائی کیلئے دل کی گہرائیوں سے اظہار تشکر بجالاتے ہیں۔

برائے و بجانب بورڈ

  
محمد شعیب سی ایف اے  
چیف ایگزیکٹو آفیسر

مورخہ 31 اگست 2016ء





## Meezan Balanced Fund

Meezan Balanced Fund (MBF) is Pakistan's first Shariah compliant balanced scheme. It seeks to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality Shariah compliant equity and Income Instruments.

# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Abdullah Ahmed Muhammad	Non-Executive	
Syed Amir Ali	Non-Executive	
Mr. Atif Azim	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Moin M. Fudda	Independent	
Mr. Mazhar Sharif	Non-Executive	
Syed Amir Ali Zaidi	Non-Executive	
Mr. Mohammad Shoaib, CFA	Chief Executive	

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

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

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

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

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2016

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

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

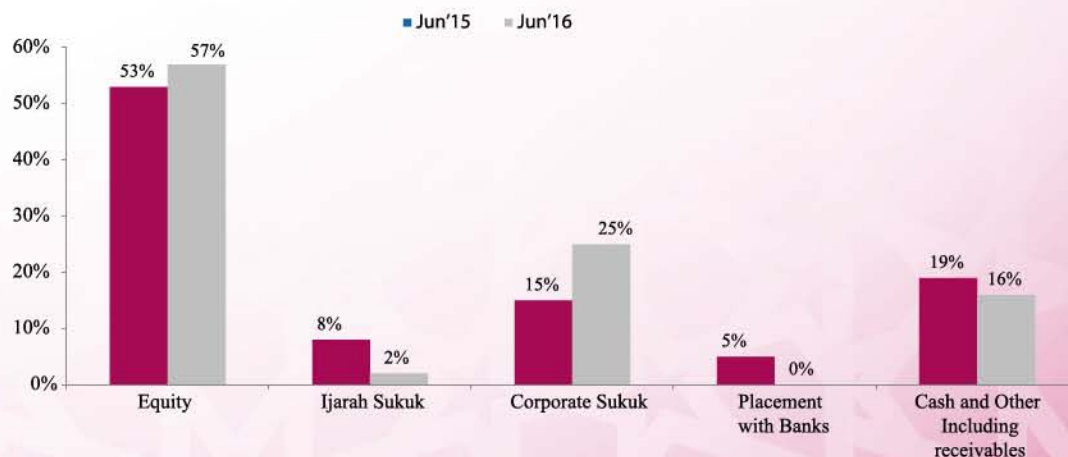
### Strategy and Investment Policy

Being a balanced fund, performance of MBF is linked proportionately to the performance of stock market and Islamic fixed income instruments. The fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. The fund primarily aims at controlling risk by balancing growth and income earning objectives of certificate holders. To achieve this purpose, the fund manager strives to reduce equity exposure in times when the market is trading above valuations and increase exposure to high quality liquid Islamic fixed income instruments. As per policy, the fund can invest up to 60% in listed equities.

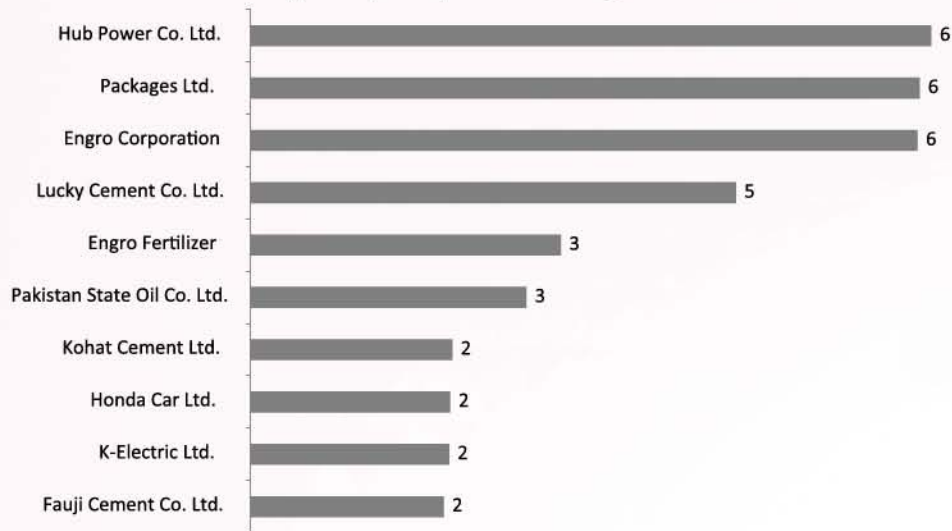
During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum, the fund manager over the period kept the duration of the fixed income portfolio below six months.

During the year, the fund maintained a significant exposure to Cement, Paper & Board and Power sectors because of better prospects of these sectors. The average equity exposure in the fund during the year was 57.50% while the balance was deployed in quality fixed income instruments.

### Sector Allocation as on June 30th 2015 and 2016



## Top Equity Holdings



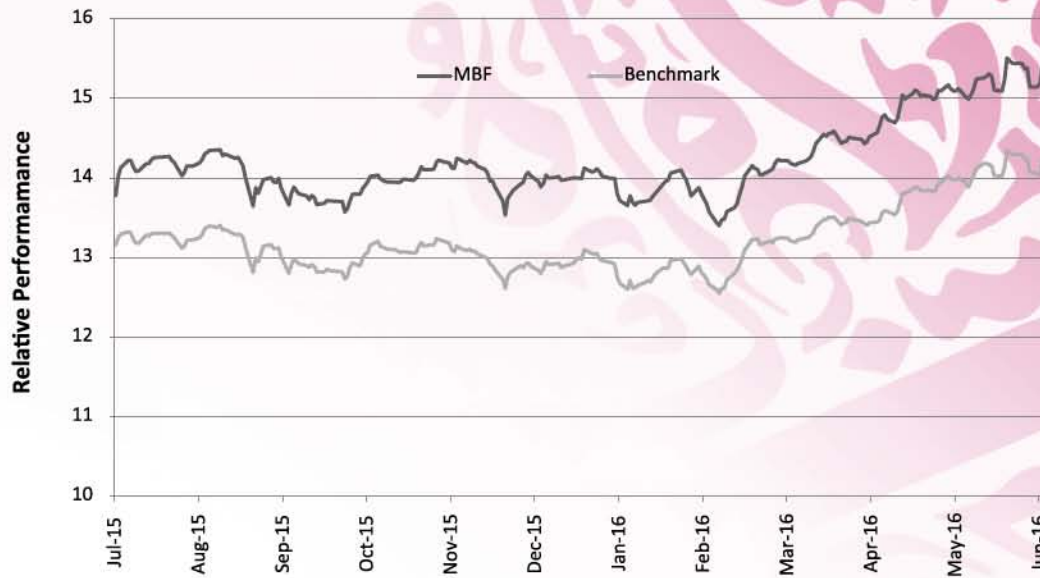
### Performance Review

During FY16, Meezan Balanced Fund (MBF) provided a return of 12.10% to its investors compared to bench mark return of 9.51%.

MBF posted a total income of Rs. 638 million in the fiscal year 2016 as compared to Rs. 439 million last year. Total income comprised of realized and unrealized gain on investments of Rs. 44 million and Rs. 336 million respectively. Dividend income contributed Rs. 131 million to the income, while profit on saving accounts with banks including profit on term deposit receipts amounted to Rs. 60 million. Profit on Sukuks certificates was Rs. 68 million. After accounting for expenses of Rs. 136 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 13 million, the Fund posted a net profit of Rs. 515 million. The net assets of the Fund as at June 30, 2016 were Rs. 4,708 million as compared to Rs. 3,383 million at the end of last year depicting a rise of 39.14%. The net asset value per unit as at June 30, 2016 was Rs. 15.84 as compared to Rs. 14.67 per unit as on June 30, 2015.

NAV (Dividend Adjusted)	30-Jun-16	30-Jun-15	Change (%)
Meezan Balanced Fund	15.84	14.67	12.10
<b>Benchmark Returns (Inputs)</b>			
KMI 30	66,163	57,271	15.53
Average Yield on Islamic Bank Deposits (annualized)			3.49
KMI 30 Return	15.53%	50%	7.76
Islamic Bank Deposit Return	3.49%	50%	1.75
<b>Benchmark Return</b>			9.51
<b>Outperformance</b>			2.59





### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2016 an amount of Rs. 1.3 million was accrued as charity payable.

### Distribution

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2016 was Rs. 0.60 per unit (6%). Total distribution made by the fund was Rs. 171.18 million.

### Proxy Voting for Kohat Cement Company Limited

Al Meezan Investment Management Limited participation in the Extra Ordinary General Meeting of Kohat Cement Company Limited held on 27th June 2016 at its registered office in Kohat Cement Factory, Rawalpindi Road, Kohat.

The following are the disclosure of Proxy Voting:

<b>Proxy Resolution</b>	Election of Directors for Kohat Cement Company Limited
<b>Fund</b>	MEEZAN BALANCED FUND
<b>Shares Held</b>	263,800
<b>Date of Proxy</b>	27th June 2016 (Monday)
<b>Result of Proxy Vote</b>	<p>The Investment Committee of Al Meezan Investments Management Limited has decided to execute the proxy form in favor of the following participants:</p> <ul style="list-style-type: none"> <li>● Mr. Aizaz Sheikh (Chief Executive, Director, Kohat Cement Company Ltd)</li> <li>● Mr. Rahman Sheikh s/o Aizaz Sheikh (Director, Kohat Cement Company Ltd)</li> </ul>

#### Summary of Actual Proxy Voted by Al Meezan Investment Management Limited

S#	Resolution	For	Against	Abstain
1.	Election of Directors	5	0	0

Proxy Voting Policy of the Fund is available on the website of Al Meezan Investment Management Limited (Al Meezan) and detailed information regarding actual proxies voted by the Al Meezan in respect of the Fund is also available without charge, upon request, to all unit holders

#### Breakdown of unit holdings by size:

(As on June 30, 2016)

Range (Units)	No. of Investors
1-9,999	1,340
10,000-49,999	879
50,000-99,999	357
100,000-499,999	327
500,000 and above	101
<b>Total</b>	<b>3,004</b>



**Meezan Bank**  
The Premier Islamic Bank

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

August 03, 2016/ Shawwal 28, 1437

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

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

- i. We have reviewed and approved the modes of investments of MBF in light of *Shari'ah* requirements. Following is the list of investments of MBF as on June 30, 2016 and their evaluation according to the screening criteria established by us. (December 31, 2015 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Hub Power Co Ltd	Power Generation and Distribution	29%	0%	0.15%	43%	-25	120.43
Packages Ltd	Paper and Board	10%	6%	0.20%	91%	-95.02	635.88
Lucky Cement	Cement	10%	3%	1.85%	73%	-30.12	649.4
Engro Corporation Ltd	Fertilizer	28%	7%	1.05%	79%	-131.58	333.55
Engro Fertilizer Ltd	Fertilizer	28%	11%	1.23%	83%	-34.58	64.62

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

\*\* All interest based debts.



Page 1 of 2

**Meezan Bank Ltd.**

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- ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2016 have been in compliance with the *Shari'ah* principles.

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

During the year a provision of Rupees 1.3 million was created and an amount of Rupees 1.5 million was disbursed as charity. The amount of Rupees 3.11 million was available for disbursement as of June 30, 2016.

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

---

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN BALANCED FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Balanced Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 in accordance with the provisions of the following:

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

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

Karachi, September 9, 2016

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Rule Book of Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

1. The Management Company encourages representation of independent non-executive directors. At present the board includes:

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

The independent directors meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the board.
8. The meetings of the board were presided over by the Chairman, and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two members of the Board of Director of the Management Company are exempt from the requirements of the Directors' Training Program as per the proviso to clause 5.19.7 of the CCG, whilst the three Board members have completed their Directors' certification programs from institutes meeting the criteria specified by the Securities & Exchange Commission of Pakistan.

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



**Mohammad Shoaib, CFA**  
Chief Executive  
Dated: August 31, 2016  
Karachi.



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

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### **Review Report to the Unitholders of Meezan Balanced Fund (“the Fund”) on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Al Meezan Investment Management Limited (“Management Company”) of the Fund for the year ended 30 June 2016 to comply with the requirements contained in Clause No. 5.19 of Rule Book of the Pakistan Stock Exchange Limited (formerly Listing Regulation No. 35 of Karachi Stock Exchange Limited) where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company’s personnel and review of various documents prepared by the Management Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2016.

**Date:** 31 AUG 2016

**Karachi**

*KPMG Taseer Hadi & Co.*

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

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





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## Independent Auditors' Report to the Unitholders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Balanced Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2016, and the related income statement and statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2016, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

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




KPMG Taseer Hadi & Co.

*Report on Other Legal and Regulatory Requirements*

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

**Date:** 31 AUG 2015

**Karachi**

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


## STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>Assets</b>			
Balance with banks	4	660,332	438,024
Investments	5	4,072,532	2,859,132
Receivable on issuance and conversion of units		84,926	198,040
Dividend receivable		7,571	3,614
Receivable against investments (net)		4,020	-
Deposits and other receivables	6	28,304	21,193
<b>Total assets</b>		<b>4,857,685</b>	<b>3,520,003</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	49,265	28,033
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	534	358
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	3,768	2,135
Payable on redemption and conversion of units		11,793	10,220
Accrued expenses and other liabilities	10	64,639	56,084
Dividend payable		19,999	39,713
<b>Total liabilities</b>		<b>149,998</b>	<b>136,543</b>
<b>Net assets</b>		<b>4,707,687</b>	<b>3,383,460</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund (as per statement attached)</b>		<b>4,707,687</b>	<b>3,383,460</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>	14	<b>297,201,395</b>	<b>230,697,369</b>
<b>(Rupees)</b>			
<b>Net assets value per unit</b>		<b>15.84</b>	<b>14.67</b>

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

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

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

  
**Mazhar Sharif**  
**Director**

# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>Income</b>			
Net realised gain on sale of investments		43,529	80,577
Dividend income		130,785	68,374
Profit on saving accounts with banks		50,012	34,363
Profit on term deposit receipts		9,637	4,952
Profit on sukuk certificates		68,038	61,377
Other income		-	68
		<b>302,001</b>	249,711
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.2.1.1	<b>336,134</b>	189,493
Reversal of non-performing debt securities (net)	5.1.2.5	-	85
		<b>336,134</b>	189,578
<b>Total income</b>		<b>638,135</b>	439,289
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7.1	<b>88,593</b>	50,241
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	<b>28,586</b>	16,781
Allocated expenses	7.4	<b>2,476</b>	148
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	<b>5,434</b>	3,512
Sindh Sales Tax on trustee fee	8.1	<b>761</b>	-
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	<b>3,768</b>	2,135
Auditors' remuneration	13	<b>518</b>	515
Charity expense	10.1	<b>1,300</b>	1,023
Fees and subscription		<b>442</b>	150
Legal and professional charges		<b>207</b>	-
Brokerage expense		<b>3,098</b>	2,321
Bank and settlement charges		<b>1,183</b>	956
Provision for Workers' Welfare Fund (WWF)	12	-	8,862
<b>Total expenses</b>		<b>136,366</b>	86,644
<b>Net income from operating activities</b>		<b>501,769</b>	352,645
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		<b>12,935</b>	81,608
<b>Net income for the year before taxation</b>		<b>514,704</b>	434,253
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<b>514,704</b>	434,253
<b>Other comprehensive income for the year</b>			
<b>Items that can be reclassified to income statements in subsequent periods</b>			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	5.2.2	<b>3,305</b>	16,084
<b>Total comprehensive income for the year</b>		<b>518,009</b>	450,337

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

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



**Mohammad Shoaib, CFA**  
Chief Executive



**Mazhar Sharif**  
Director


## DISTRIBUTION STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Undistributed income brought forward			
- Realised		<b>408,678</b>	209,274
- Unrealised		<b>189,493</b>	101,271
		<b>598,171</b>	310,545
Interim distribution for the year ended June 30, 2016			
- cash dividend @ 6% i.e. Re. 0.6 per unit		<b>(171,188)</b>	-
Interim distribution for the year ended June 30, 2015			
- cash dividend @ 8% i.e. Re. 0.8 per unit		-	(158,790)
Net income for the year		<b>514,704</b>	434,253
Element of income and capital gains included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)		<b>1,790</b>	12,163
Undistributed income carried forward		<b>943,477</b>	598,171
Undistributed income carried forward			
- Realised		<b>607,343</b>	408,678
- Unrealised	5.1.2.1.1	<b>336,134</b>	189,493
		<b>943,477</b>	598,171

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

For Al Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoaib, CFA  
Chief Executive

  
Mazhar Sharif  
Director

# STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

## FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Net assets at the beginning of the year		3,383,460	1,930,486
Issuance of 197,244,417 units for the year ended June 30, 2016 (June 30, 2015: 174,204,531 units)		3,005,557	2,542,584
Redemption of 130,740,391 units for the year ended June 30, 2016 (June 30, 2015: 88,117,273 units)		(2,015,216)	(1,299,549)
		990,341	1,243,035
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(12,935)	(81,608)
Net realised gain on sale of investments		43,529	80,577
Unrealised appreciation in the value of investments (net)	5.1.2.1.1 & 5.2.2	339,439	205,662
Other net income for the year		135,041	164,098
Total comprehensive income for the year		518,009	450,337
Interim distribution for the year ended June 30, 2016 - cash dividend @ 6% i.e. Re. 0.6 per unit		(171,188)	-
Interim distribution for the year ended June 30, 2015 - cash dividend @ 8% i.e. Re. 0.8 per unit		-	(158,790)
Total distribution		(171,188)	(158,790)
Net income for the year less distribution		346,821	291,547
Net assets at end of the year		4,707,687	3,383,460
		(Rupees)	
Net assets value per unit at beginning of the year		14.67	13.35
Net assets value per unit at end of the year		15.84	14.67

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

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



**Mohammad Shoaib, CFA  
Chief Executive**



**Mazhar Sharif  
Director**

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

Note	2016 (Rupees in '000)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	514,704	434,253
<b>Adjustments for:</b>		
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.2.1.1 (336,134)	(189,493)
Reversal of non-performing debt securities (net)	5.1.2.5 -	(85)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(12,935)	(81,608)
	<b>165,635</b>	<b>163,067</b>
<b>Increase in assets</b>		
Investments (net)	(873,961)	(1,154,277)
Dividend receivable	(3,957)	(2,461)
Receivable against investments (net)	(4,020)	-
Deposits and other receivables	(7,111)	(9,383)
	<b>(889,049)</b>	<b>(1,166,121)</b>
<b>Increase in liabilities</b>		
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	21,232	18,476
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	176	119
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,633	670
Accrued expenses and other liabilities	8,555	24,258
	<b>31,596</b>	<b>43,523</b>
<b>Net cash used in operating activities</b>	<b>(691,818)</b>	<b>(959,531)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance and conversion of units	3,118,671	2,344,544
Payment against redemption and conversion of units	(2,013,643)	(1,291,403)
Dividend paid	(190,902)	(126,443)
<b>Net cash generated from financing activities</b>	<b>914,126</b>	<b>926,698</b>
Net increase / (decrease) in cash and cash equivalents during the year	222,308	(32,833)
Cash and cash equivalents at beginning of the year	438,024	470,857
Cash and cash equivalents at end of the year	4 660,332	438,024

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

For AI Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoaib, CFA  
Chief Executive

  
Mazhar Sharif  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

- 1.2** The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP.
- 1.3** The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality Shariah Compliant equity securities and Islamic income instruments such as TFCs, Islamic Sukuks (certificates of Islamic investment), musharaka certificates, Government Securities, Cash in bank accounts, Money Market Placements, Deposits, Certificates of Deposits, TDRs, Commercial Papers, Reverse Repos, Spread Transactions, and other Shariah compliant instruments as indicated by the Commission. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Islamic Shariah.
- 1.4** Units of the fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Management Company has been given a quality rating of AM2++ by JCR - VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund and the listing of the units of the open end scheme has been made to the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited).

### 2. BASIS OF PRESENTATION

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



## 2.1 Statement of Compliance

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and assumptions

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

- (a) Classification and valuation of financial instruments (notes 3.1 and 5)
- (b) Recognition of provision for Workers' Welfare Fund (note 12)
- (c) Impairment of financial instruments (note 3.1.5)
- (d) Taxation (note 3.8 and 20)

## 2.5 New, amended and revised standards and interpretations of IFRSs

During the year, IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interest in Other Entities" and IFRS 13 "Fair Value Measurement" became effective for financial periods beginning on or after 1 January 2015. IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the Fund's financial statements. The effect of IFRS 13 "Fair Value Measurement" are disclosed in note 19 to these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization 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.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – 'Consolidated Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures') [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Fund's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Fund's financial statements.
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Fund's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a 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 amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are 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:
  - IAS 32 'Financial Instruments: Presentation' - is amended to clarify that IAS 12 'Income Taxes' applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
  - 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 on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. 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.
  - IAS 34 'Interim Financial Reporting': IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Fund's financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 3.1 Financial instruments

##### 3.1.1 Classification

The Fund classifies its financial assets in the following categories: 'at fair value through profit or loss', 'loans and receivables' and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. The Management determines the appropriate classification of its financial assets at the time of initial recognition and re-evaluates this classification on a regular basis.

##### a) Financial instruments as 'at fair value through profit or loss'

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated

as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

**(b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

**(c) Available for sale**

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned above.

**3.1.2 Recognition**

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

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

**3.1.3 Measurement**

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

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

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

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

### 3.1.4 Fair value measurement principles

The fair value of financial instruments is determined as follows:

*Basis of valuation of debt securities:*

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

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

*Basis of valuation of government securities:*

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

*Basis of valuation of equity securities:*

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

### 3.1.5 Impairment

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

In case of investment classified as 'available for sale' equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. Impairment loss on investment is recognised in Income Statement whenever the acquisition cost of investment exceeds its recoverable amount. Impairment losses recognised on equity securities in the Income Statement are not reversed subsequently in the Income Statement.

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

### 3.1.6 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial

asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

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

### **3.1.7 Offsetting of financial instruments**

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

### **3.1.8 Regular way contracts**

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

### **3.2 Unitholders' Fund**

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

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

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

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

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

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

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

### 3.5 Provisions

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

### 3.6 Net assets value per unit

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

### 3.7 Earnings per unit

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

### 3.8 Taxation

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

#### *Current*

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

#### *Deferred*

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

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

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001. Accordingly Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 4B of Income Tax Ordinance, 2001).

### 3.9 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in 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) Income on sukuk certificates, placements and government securities is recognized on a time proportionate basis using effective yield method, except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.
- (iv) Profit on bank deposit is recognized on time proportion basis using effective yield method.

### 3.10 Expenses

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

### 3.11 Earnings per unit

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

### 3.12 Cash and cash equivalents

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

### 3.13 Segment Reporting

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

### 3.14 Distribution

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

## 4. BALANCES WITH BANKS

	Note	2016 (Rupees in '000)	2015
On saving accounts	4.1	652,459	428,811
On current accounts		7,873	9,213
		<u>660,332</u>	<u>438,024</u>



- 4.1 The balances in saving accounts have an expected profit ranging from 2.50% to 6.10% (2015: 3.79% to 7.30%) per annum.

## 5. INVESTMENTS

	Note	2016 (Rupees in '000)	2015
Investments - 'at fair value through profit or loss'	5.1	3,408,204	2,434,966
Investments - 'available for sale'	5.2	239,328	250,166
Investments - 'loans and receivables'	5.3	425,000	174,000
		<b>4,072,532</b>	<b>2,859,132</b>
<b>5.1 Investments - 'at fair value through profit or loss'</b>			
Held for trading	5.1.1	2,589,926	1,826,772
Investments at fair value through profit or loss upon initial recognition	5.1.2	818,278	608,194
		<b>3,408,204</b>	<b>2,434,966</b>
<b>5.1.1 Held for trading</b>			
Shares of listed companies 'Ordinary shares'	5.1.1.1	2,469,034	1,539,664
Sukuk certificates	5.1.1.4	120,892	287,108
		<b>2,589,926</b>	<b>1,826,772</b>

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

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)			%	
<b>Sector / Companies</b>									
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate company of the Fund)	1,073,500	-	-	818,500	255,000	10,455	10,838	383	0.27
<b>Automobile assemblers</b>									
Millat Tractors Limited	11,800	-	-	11,000	800	548	456	(92)	0.01
Indus Motor Company Limited	10,000	20,000	-	28,900	1,100	1,235	1,034	(201)	0.03
Pak Suzuki Motor Company Limited	22,800	-	-	22,740	60	26	23	(3)	0.00
Honda Atlas Cars (Pakistan) Limited	246,500	50,000	-	45,000	251,500	56,737	90,311	33,574	2.22
									<b>2.26</b>
<b>Automobile parts and accessories</b>									
Thal Limited (note 5.1.1.2)	41,000	85,000	-	65,000	61,000	16,200	17,264	1,064	0.42
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	800,000	1,086,750	-	1,078,000	808,750	57,260	52,286	(4,974)	1.28
<b>Chemicals</b>									
ICI Pakistan Limited	17,195	-	-	17,100	95	41	42	1	0.00
Sitara Chemical Industries Limited	-	2,100	-	-	2,100	777	765	(12)	0.02
									<b>0.02</b>
<b>Cement</b>									
Attock Cement Pakistan Limited	85,402	-	-	85,000	402	77	96	19	0.00
Cherat Cement Company Limited	124,000	575,000	-	-	699,000	63,006	83,580	20,574	2.05
DG Khan Cement Company Limited	70,760	320,000	-	96,000	294,760	45,071	56,149	11,078	1.38
Fauji Cement Company Limited	2,388,000	650,000	-	601,500	2,436,500	88,030	87,227	(803)	2.14
Kohat Cement Company Limited	225,200	187,700	-	65,000	347,900	74,280	91,122	16,842	2.24
Pakcem Limited (formerly Lafarge Pak Limited)	16,646	-	-	-	16,646	324	294	(30)	0.01
Lucky Cement Limited	334,000	103,400	-	106,000	331,400	169,749	214,916	45,167	5.28
Maple Leaf Cement Company Limited	350,000	200,000	-	270,000	280,000	22,639	29,543	6,904	0.73
Pioneer Cement Limited	216,000	362,000	-	-	578,000	51,996	62,077	10,081	1.52
									<b>15.35</b>

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Fertilizers</b>									
Dawood Hercules	-	338,000	-	-	338,000	38,491	50,318	11,827	1.24
Engro Fertilizers Limited	455,000	2,668,500	-	950,000	2,173,500	142,367	140,147	(2,220)	3.44
Engro Corporation Pakistan Limited (note 5.1.1.3)	575,000	445,500	-	115,000	905,500	277,582	301,504	23,922	7.40
Fatima Fertilizer Company Limited	734,000	-	-	727,500	6,500	254	221	(33)	0.01
Fauji Fertilizer Company Limited	119,700	-	-	119,500	200	30	23	(7)	0.00
									<b>12.09</b>
<b>Technology &amp; Communication</b>									
Pakistan Telecommunication Company Limited "A"	1,672,510	500,000	-	2,172,500	10	0	0	(0)	<b>0.00</b>
<b>Paper &amp; Board</b>									
Packages Limited	147,600	250,300	-	75,000	322,900	181,737	205,436	23,699	<b>5.04</b>
<b>Refinery</b>									
Attock Refinery Limited	-	75,000	-	32,000	43,000	10,304	12,046	1,742	0.30
National Refinery Limited	2,500	50,000	-	52,500	-	-	-	-	-
									<b>0.30</b>
<b>Oil &amp; Gas Exploration Companies</b>									
Oil and Gas Development Company Limited	-	450,000	-	-	450,000	59,007	62,132	3,125	1.53
Pakistan Oilfields Limited	186,725	134,000	-	80,000	240,725	88,929	83,647	(5,282)	2.05
Pakistan Petroleum Limited	4,396	335,000	-	-	339,396	44,403	52,623	8,220	1.29
Mari Petroleum Company Limited (note 5.1.3 and note 11)	8,000	76,250	-	-	84,250	43,740	76,517	32,777	1.88
									<b>6.75</b>
<b>Oil and Gas Marketing Companies</b>									
Pakistan State Oil Company Limited	300,004	195,000	-	162,800	332,204	123,283	124,729	1,446	3.06
Attock Petroleum Limited	9,600	-	-	9,600	-	-	-	-	-
Hascol Petroleum Limited (note 11)	55,500	50,873	21,100	126,000	1,473	239	288	49	0.01
Sui Northern Gas Pipelines Limited	475,000	880,000	-	1,349,500	5,500	173	200	27	0.00
									<b>3.07</b>
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pakistan) Limited	31,000	52,300	-	-	83,300	53,422	62,808	9,386	1.54
Ferozsons Laboratories Limited	-	37,400	-	17,000	20,400	17,071	21,031	3,960	0.52
The Searle Company Limited (note 11)	104,800	101,480	54,384	104,300	156,364	39,266	83,835	44,569	2.06
Highnoon Laboratories Limited	-	31,000	1,320	20,000	12,320	3,759	7,101	3,342	0.17
									<b>4.29</b>
<b>Food &amp; Personal Care Products</b>									
Engro Foods Limited	600,000	58,800	-	658,800	-	-	-	-	-
Al-Shaheer Corporation Limited (note 11)	-	361,500	70,000	-	431,500	28,910	22,529	(6,381)	0.55
									<b>0.55</b>
<b>Textile (Composite)</b>									
Nishat Mills Limited	441,800	-	-	441,800	-	-	-	-	-
Kohinoor Textiles Mills Limited	-	60,000	-	-	60,000	4,800	4,802	2	0.12
									<b>0.12</b>
<b>Power Generation &amp; Distribution</b>									
Hub Power Company Limited	736,097	697,000	-	-	1,433,097	141,566	172,058	30,492	4.22
K-Electric Limited (note 5.1.1.2)	2,440,000	9,435,000	-	750,000	11,125,000	85,711	89,667	3,956	2.20
Kot Addu Power Company Limited	-	200,000	-	200,000	-	-	-	-	-
Kohinoor Energy Limited	65,000	-	-	65,000	-	-	-	-	-
Lalpir Power Limited	677,000	400,000	-	1,077,000	-	-	-	-	-
Pakgen Power Limited	50,000	241,500	-	291,500	-	-	-	-	-
									<b>6.42</b>
<b>Real Estate Investment Trust</b>									
Dolmen City REIT	2,728,000	-	-	-	2,728,000	30,035	29,462	(573)	0.72
<b>Engineering</b>									
Crescent Steel & Allied products	-	382,250	-	-	382,250	37,544	43,810	6,266	1.08
Amreli Steels Limited	-	100,000	-	-	100,000	4,778	4,702	(76)	0.12
									<b>1.20</b>
<b>Miscellaneous</b>									
Shifa International Hospital Limited	-	64,584	-	-	64,584	19,897	19,375	(522)	0.48
<b>Total</b>						<b>2,135,749</b>	<b>2,469,034</b>	<b>333,285</b>	
<b>Total cost of investments</b>							<b>1,988,202</b>		

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

5.1.1.3 150,000 shares of Engro Corporation Limited, having market value of Rs 49.945 million as at June 30, 2016 (June 30, 2015: Rs. 44.520 million) have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark-to-market losses.

#### 5.1.1.4 Sukuk certificates

Name of the security	Maturity	Profit rate	As at July 01, 2015	Purchases during the year	Sales / Matured during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain as at June 30, 2016	Percentage of market value of Investments
			----- (Number of certificates) -----			----- (Rupees in '000) -----			----- % -----	
GoP Ijarah Sukuk Certificates - IX (Note 5.1.1.5)	November 21, 2015	Weighted Average 6 months T-Bills	1,700	-	1,700	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XII (Note 5.1.1.5)	November 21, 2015	Weighted Average 6 months T-Bills	1,150	-	1,150	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XVI (Note 5.1.1.5)	December 18, 2018	Weighted Average 6 months T-Bills	-	4,250	4,250	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XVII (Note 5.1.1.5)	February 15, 2019	Weighted Average 6 months T-Bills	-	2,200	1,010	1,190	119,000	120,892	1,892	2.97
<b>Total</b>							<b>119,000</b>	<b>120,892</b>	<b>1,892</b>	
<b>Total cost of investments</b>							<b>119,000</b>			

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

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

	Note	2016 (Rupees in '000)	2015
Shares of listed companies 'Ordinary shares'	5.1.2.1	53,258	75,369
Sukuk certificates	5.1.2.2	765,020	529,931
Preference shares	5.1.3	-	2,894
		<b>818,278</b>	<b>608,194</b>

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

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain/(loss) as at June 30, 2016	Percentage of market value of Investments
	----- (Number of certificates) -----				----- (Rupees in '000) -----			----- % -----	
<b>Sector / Companies</b>									
<b>Automobile Assembler</b>									
Indus Motor Company Limited	50,055	-	-	7,600	42,455	53,026	39,888	(13,138)	0.98
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate company of the Fund)	277,593	-	-	-	277,593	11,381	11,797	416	0.29
<b>Paper and Board</b>									
Packages Limited	2,473	-	-	-	2,473	1,469	1,573	104	0.04
<b>Total</b>						<b>65,876</b>	<b>53,258</b>	<b>(12,618)</b>	
<b>Total cost of investments</b>							<b>11,425</b>		

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

	Note	2016 (Rupees in '000)	2015
Shares of listed companies (ordinary shares) - held for trading	5.1.1.1	333,285	153,752
Sukuk certificates - held for trading	5.1.1.4	1,892	(1,847)
Shares of listed companies (ordinary shares) - fair value through profit or loss upon initial recognition	5.1.2.1	(12,618)	35,200
Sukuk certificates - fair value through profit or loss upon initial recognition	5.1.2.2	13,575	2,388
		<b>336,134</b>	<b>189,493</b>

### 5.1.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2015	Purchases during the year	Redemptions / Matured during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain as at June 30, 2016	Percentage of market value of investments
			----- (Number of certificates) -----			----- (Rupees in '000) -----			----- % -----	
<b>Secured</b>										
Engro Fertilizer Pakistan Limited (A+, PACRA, non-traded) (note 5.1.2.2.1)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	5,000	-	5,000	-	-	-	-	-
Engro Fertilizer Pakistan Limited - II (A+, PACRA, non-traded) (note 5.1.2.2.1)	July 9, 2019	6 months KIBOR plus base rate of 1.75%	13,260	-	680	12,580	65,180	65,185	5	1.60
K Electric Limited - (7 years) (note 5.1.2.2.1) (AA, JCR-VIS, non-traded)	June 17, 2022	6 months KIBOR plus base rate of 1%	87,253	-	-	87,253	436,265	441,772	5,507	10.85
Security Leasing * Corporation Limited II (note 5.1.2.2.1, 5.1.2.2.4 & 5.1.2.2.5)	January 19, 2022	Nil	1,540	-	-	1,540	-	-	-	-
Eden Housing Limited * (note 5.1.2.2.2, 5.1.2.2.3 & 5.1.2.2.5)	September 29, 2014	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	-	-	-	-
Arzoo Textile Mills Limited * (note 5.1.2.2.1, 5.1.2.2.3 & 5.1.2.2.5)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	-	-	-	-
Hascol Petroleum Limited - Sukuk (note 5.1.2.2.1)	January 7, 2022	3 months KIBOR plus base rate of 1.50%	-	50,000	-	50,000	250,000	258,063	8,063	6.34
<b>Total</b>							<b>751,445</b>	<b>765,020</b>	<b>13,575</b>	
<b>Total cost of investments</b>								<b>562,726</b>		

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

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

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

5.1.2.2.3 On May 6, 2011, Eden Housing sukuk and Arzoo Textile Mills Limited certificates have been classified as non-performing by MUFAP. Therefore in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 4.922 and Rs. 25 million respectively have also been held as provision against the outstanding principal as at June 30, 2016.

**5.1.2.2.4** The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore in accordance with the requirement of Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs. 7.701 million has also been held as provision against the outstanding principal as at June 30, 2016.

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

Name of the investee company	Type of investments	Value of investment before provision	Provision held as at June 30, 2016	Value of investment after provision	Percentage of net assets	Percentage of total assets
		----- (Rupees in '000) -----			---- % ----	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	25,000	25,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	4,922	4,922	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	7,701	7,701	-	-	-
		<b>37,623</b>	<b>37,623</b>	-		

#### 5.1.2.5 Provision on sukuk certificates

Opening balance  
Reversal against provision for the year  
Closing balance

Note	2016 (Rupees in '000)	2015
	<b>37,623</b>	37,708
5.1.2.2.4	-	(85)
	<b>37,623</b>	37,623

#### 5.1.3 Preference Shares

##### Name of Security- Unlisted

Mari Petroleum Company Limited- at cost

2015	
Number of Shares	Carrying value (Rupees in '000)
289,410	2,894

#### 5.2 Investments - 'available for sale'

Shares of listed companies (Ordinary shares)

Note	2016 (Rupees in '000)	2015
5.2.1	<b>239,328</b>	250,166
	<b>239,328</b>	250,166

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

Name of the investee company	As at July 01, 2015	Purchases during the year	Right issue	Sales during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain as at June 30, 2016	Percentage of market value of investments
	----- (Number of certificates) -----					----- (Rupees in '000) -----			----- % -----
<b>Automobile and parts</b>									
<b>Indus Motor Company Limited</b>	11,075	-	-	9,000	2,075	454	1,950	1,496	0.05
Pakistan Suzuki Motor Company Limited	11,260	-	-	11,260	-	-	-	-	-
									<b>0.05</b>
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	1,207	-	-	-	1,207	17	51	34	0.00
BankIslami Pakistan Limited	875	-	-	-	875	5	9	4	0.00
									<b>0.00</b>
<b>Fertilizers</b>									
Fauji Fertilizer Bin Qasim Limited	377	-	-	377	-	-	-	-	-
Fauji Fertilizer Company Limited	30,599	-	-	30,000	599	48	69	21	0.00
									<b>0.00</b>
<b>Chemicals</b>									
ICI Pakistan Limited	7,921	-	-	7,900	21	3	9	6	0.00
<b>Cement</b>									
Attock Cement Pakistan Limited	287	-	-	-	287	11	69	58	0.00
DG Khan Cement Company Limited	79,249	-	-	79,000	249	10	47	37	0.00
Lucky Cement Limited	7,451	-	-	-	7,451	887	4,832	3,945	0.12
									<b>0.12</b>
<b>Power Generation &amp; Distribution</b>									
The Hub Power Company Limited	1,264,050	-	-	130,000	1,134,050	41,921	136,154	94,233	3.34
<b>Paper and Board</b>									
Packages Limited	150,000	-	-	-	150,000	77,511	95,433	17,922	2.34
<b>Oil &amp; Gas Exploration Companies</b>									
Pakistan Petroleum Limited	4,548	-	-	-	4,548	558	705	147	0.02
<b>Total</b>						<b>121,425</b>	<b>239,328</b>	<b>117,903</b>	
<b>Total cost of investments</b>							<b>121,425</b>		

### 5.2.2 Net unrealised appreciation on re-measurement of investments classified as 'available for sale'

	Note	2016 (Rupees in '000)	2015
Market value of investments		<b>239,328</b>	250,166
Less: Cost of investments		<b>121,425</b>	135,568
		<b>117,903</b>	114,598
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year		<b>114,598</b>	98,514
		<b>3,305</b>	16,084

### 5.3 Investment- loans and receivables

Term deposit receipts			
- having original maturity of more than 3 months	5.3.1	-	174,000
Sukuk Certificates	5.3.2	<b>425,000</b>	-
		<b>425,000</b>	174,000

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

5.3.2	Name of the investee company	Maturity	Profit rate	As at July 01, 2015	Purchases during the year	Redemptions / Matured during the year	As at June 30, 2016	Carrying value as at June 30, 2016*	Market value as at June 30, 2016*	Unrealised gain as at June 30, 2016	Percentage of market value of total investments
				(Number of certificates)			(Rupees in '000)			%	
	Lalpir Power Limited - CP Sukuk (note 5.3.2.1)	February 4, 2016	6 months KIBOR plus base rate of 0.25%	-	10,000	10,000	-	-	-	-	-
	Lalpir Power Limited - CP Sukuk (note 5.3.2.1)	November 4, 2016	6 months KIBOR plus base rate of 0.25%	-	25,000	-	25,000	125,000	125,000	-	3.07
	Engro Fertilizers Limited - CP Sukuk (note 5.3.2.1)	November 25, 2016	6 months KIBOR plus base rate of 0.40%	-	60,000	-	60,000	300,000	300,000	-	7.37
	<b>Total</b>						<b>425,000</b>	<b>425,000</b>	<b>-</b>		
	<b>Total cost of investments</b>						<b>425,000</b>				

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

## 6. DEPOSITS AND OTHER RECEIVABLES

	Note	2016 (Rupees in '000)	2015
Security deposits		2,800	2,800
Profit receivable on saving accounts and Term Deposit Receipts with banks		11,301	11,993
Profit receivable on sukuk certificates		14,203	6,400
		<b>28,304</b>	<b>21,193</b>

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

	Note	2016	2015
Management fee	7.1	7,719	5,515
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	31,870	15,433
Sales load payable		2,171	3,418
Sindh Sales Tax and Federal Excise Duty payable on sales load	7.2 & 7.3	7,119	3,667
Allocated expenses	7.4	386	-
		<b>49,265</b>	<b>28,033</b>

7.1 As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 2 percent of average annual net assets in case of Balanced Scheme. The remuneration of the Management Company has been charged at the rate of 2 percent per annum for the year ended June 30, 2016.

- 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 1 July 2011. During the year, SST at the rate of 14 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) is levied at the rate of 16 percent on the remuneration of the Management Company and sales load. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 4, 2013.

The SHC while disposing the Constitutional Petition No. D-3184 of 2014 relating to levy of FED on Mutual Funds has declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2011. The Management Company, on abundant caution has not reversed the provision for FED recognized in the year, as they are of the view that the Federal Government still reserve the right to appeal against the said order.

Furthermore, the mutual funds have been excluded from levy of FED vide Finance Act, 2016, hence, effective from 1 July 2016, no provision of FED will be recognised in the financial statements of the Fund.

As a matter of abundant caution, the Management Company has made a provision of FED on remuneration of the Management Company aggregating to Rs. 25.57 million (June 30, 2015: Rs. 14.123 million). Had the provision not been made, the Net Asset Value per unit of the Fund as at 30 June 2016 would have been higher by Re. 0.09 per unit (June 30, 2015: Re. 0.06 per unit.)

- 7.4** During the year, a statutory notification (S.R.O. No. 1160 (I) / 2015 dated 25 November 2015) was issued by the Securities and Exchange Commission of Pakistan (SECP), which introduced amendments in Non-Banking Finance Companies and Notified Entities Regulations, 2008. As a result of these amendments, the Management Company may charge fees and expenses related to registrar services, accounting, operations and valuation services, related to Collective Investment Schemes (CIS) upto a maximum of 0.1% of average annual net assets of the Scheme.

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

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

The remuneration of the Trustee for the year ended June 30, 2016 has been calculated as per the following applicable tariff:

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

- 8.1** In the current year, a notification (SRB-3-4/TP/01/2015/86554 dated 13 June 2015) was issued by Sindh Revenue Board (SRB), which introduced amendments in Sindh Sales Tax on Services Act, 2011. These amendments are applicable from 01 July 2015. As a result of these amendments, the Fund recognised sales tax on trustee fee at the rate of 14 percent.



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

Under the provisions of the amended Non-Banking Finance Companies and Notified Entities Regulations 2008, a collective investment scheme categorised as a balanced scheme is required to pay an annual fee to the SECP, an amount equal to 0.085% of the average annual net assets of the Scheme. Provided that for Collective Investment Schemes which on quarterly average basis have at least 1,000 retail investors and more than 50% of Net Assets are held by individual investors, provided that the maximum investment by a single retail investor (considered eligible for calculating the threshold of 1,000) does not exceed 1% of the Net Asset shall pay the annual fee at the rate 0.068% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.085%. The fee is payable to the SECP within three months of the close of the financial year.

## 10. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2016 (Rupees in '000)	2015
Provision for Worker Welfare Fund (WWF)	12	37,909	37,909
Withholding tax payable		21,329	15,008
Charity payable	10.1	3,114	1,674
Brokerage payable		1,246	376
Auditors' remuneration		371	370
Shariah advisory fee		269	-
Others		401	747
		<b>64,639</b>	<b>56,084</b>

**10.1** According to the instructions of the shariah advisor, any income earned by the Fund from investments whereby portion of the investment of 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 3.114 million (2015: Rs 1.674 million) is outstanding in this regard after making charity payments of Rs 1.4 million (2015: Rs 0.412 million) to renowned charitable institutions. None of the directors of the Management Company of the Fund were interested in any of donees.

## 11. CONTINGENCIES AND COMMITMENTS

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

In this regard, a 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. The petition 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. On September 8, 2015, the Sindh High Court has dismissed the suit on the basis that bonus shares are included in the definition of income and accordingly are chargeable to tax. An appeal against the judgment has been instituted and a stay order has been granted by the High Court of Sindh in favour of CISs.

In the current year, Hascol Petroleum Limited, The Searle Company Limited and Al-Shaheer Corporation Limited (2015: Mari Petroleum Company Limited and Hascol Petroleum Limited) issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These haven't been deposited by the Company with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

There were no other contingencies and commitments outstanding as at June 30, 2016 and 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, a constitutional petition has been filed by certain CISs through their Trustees in the Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

However, decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2015 amounting to Rs.37.909 million. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.13 per unit (0.81%).

## 13. AUDITORS' REMUNERATION

	Note	2016 (Rupees in '000)	2015
Statutory audit fee		250	290
Half yearly review fee		110	110
Other certifications		120	110
Out of pocket expenses		38	5
		<b>518</b>	<b>515</b>

## 14. NUMBER OF UNITS IN ISSUE

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

	2016 (Number of units)	2015
Total units in issue at the beginning of the year	230,697,369	144,610,111
Units issued during the year	197,244,417	174,204,531
Units redeemed during the year	(130,740,391)	(88,117,273)
Total units in issue at the end of the year	<b>297,201,395</b>	<b>230,697,369</b>

**14.2** All units carry equal rights and are entitled to dividend and share in the Net Asset Value of the Fund.

## 15. SEGMENT REPORTING

The investment committee of the Management Company makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee for taking strategic decisions.

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

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

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

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

	For the year ended June 30, 2016		
	Equity sub-portfolio	Debt sub-portfolio	Total
	(Rupees in '000)		
Profit on sukuk certificates	-	68,038	68,038
Dividend income	130,785	-	130,785
Net realised gain / (loss) on sale of investments	41,726	1,803	43,529
Brokerage expense	(3,082)	(16)	(3,098)
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss'	320,667	15,467	336,134
<b>Total net segment income</b>	<b>490,096</b>	<b>85,292</b>	<b>575,388</b>

	As at June 30, 2016		
	Equity sub-portfolio	Debt sub-portfolio	Total
	(Rupees in '000)		
<b>Total segment assets:</b>			
Investments	2,761,620	1,310,912	4,072,532
Dividend receivable	7,571	-	7,571
Profit receivable on sukuk certificates	-	14,203	14,203
	<b>2,769,191</b>	<b>1,325,115</b>	<b>4,094,306</b>
<b>Total segment liabilities include:</b>			
Charity payable	3,114	-	3,114
Brokerage Payable	1,246	-	1,246
Others	70	-	70
	<b>4,430</b>	<b>-</b>	<b>4,430</b>

For the year ended June 30, 2015		
Equity sub -portfolio	Debt sub -portfolio	Total
(Rupees in '000)		
Profit on sukuk certificates	-	61,377
Dividend income	68,374	-
Net realised gain on sale of investments	81,835	(1,258)
Brokerage expense	(2,305)	(16)
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss'	188,952	541
Reversal of provision against non performing debt securities (net)	-	85
<b>Total net segment income</b>	<b>336,856</b>	<b>397,585</b>

As at June 30, 2015		
Equity sub -portfolio	Debt sub -portfolio	Total
(Rupees in '000)		
<b>Total segment assets:</b>		
Investments	1,865,199	993,933
Dividend receivable	3,614	-
Profit receivable on sukuk certificates	-	6,400
	<u>1,868,813</u>	<u>1,000,333</u>
<b>Total segment liabilities include:</b>		
Charity payable	15,008	-
Brokerage payable	376	-
Others	91	-
	<u>15,475</u>	<u>-</u>

There were no transactions between reportable segments.

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

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

	2016	2015
	(Rupees in '000)	
Total net segment income	<b>575,388</b>	397,585
Profit on saving accounts with banks and term deposit receipts	<b>59,649</b>	39,315
Other Income	<b>12,935</b>	81,676
Expenses	<b>(133,271)</b>	(84,323)
<b>Net Income for the year</b>	<b>514,701</b>	434,253

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

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

	Note	2016 (Rupees in '000)	2015
Segment assets for reportable segments		<b>4,094,306</b>	2,869,146
Balances with banks	4	<b>660,332</b>	438,024
Receivable on issuance and conversion of units		<b>84,926</b>	198,040
Deposits and other receivables	6	<b>14,101</b>	14,793
<b>Total assets</b>		<b>4,853,665</b>	3,520,003

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

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

	Note	2016 (Rupees in '000)	2015
Segment liabilities for reportable segments		<b>4,430</b>	15,475
Accrued expenses	10	<b>60,209</b>	53,943
Others		<b>85,359</b>	80,459
<b>Total liabilities</b>		<b>149,998</b>	149,877

## 16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

Details of transactions with connected persons and balances with them for the year ended June, 2016 and as of that date along with the comparative are as follows:

	2016 (Rupees in '000)	2015
<b>Al Meezan Investment Management Limited (Al Meezan )</b>		
<b>- Management Company</b>		
Remuneration payable	<b>7,719</b>	5,515
Sindh Sales Tax and Federal Excise Duty payable on management fee	<b>31,870</b>	15,433
Sales load payable	<b>2,171</b>	3,418
Sindh Sales Tax and Federal Excise Duty payable on sales load	<b>7,119</b>	3,667
Allocated expenses payable	<b>386</b>	-
Investment of 853,671 units (June 30, 2015: 830,090 units)	<b>13,522</b>	12,177

	2016	2015
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
Remuneration payable	468	358
Sindh Sales tax on Trustee Fee payable	66	-
Deposit	300	300
<b>Meezan Bank Limited (MBL)</b>		
Bank balance	65,144	84,014
Term deposit receipt	-	174,000
Investment in 533,800 shares (June 30, 2015: 1,352,300 shares)	22,686	55,443
Investment of 18,886,746 units (June 30, 2015: 18,886,746 units)	299,166	277,069
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment : nil units (June 30, 2015: 11,057,791 units)	-	162,218
<b>Al Meezan Investment Management Limited - Employees Gratuity Fund</b>		
Investment of 415,271 units (June 30, 2015: 400,115 units)	6,578	5,870
<b>Directors and Executives of the Management Company</b>		
Investment of 2,387,815 units (June 30, 2014: 2,322,530 units)	37,823	34,072

**For the year ended  
June 30,**

	2016	2015
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited (Al Meezan) - Management Company</b>		
Remuneration for the year	88,593	50,241
Sindh Sales Tax and Federal Excise Duty on Management fee	28,586	16,781
Units issued: 23,581 units (2015: 32,724 units)	498	638
Units redeemed: nil (2015: 4,583,602 units)	-	71,000
Cash dividend for the year	498	638
<b>Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
Remuneration for the year	5,434	3,512
Sindh Sales tax on Trustee fee	761	-
Charges for the year	131	96
<b>Meezan Bank Limited (MBL)</b>		
Profit on saving account	1,117	3,049
Profit on Term deposit receipt	9,637	4,952
Cash dividend paid during the year	11,332	15,109
Cash dividend income during the year	3,463	3,118
Sale : 818,500 (2015: nil shares)	38,122	-
Purchase : nil shares (2015: 400,000 shares)	-	19,000
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Units redeemed: 11,057,791 (2015: nil units)	177,588	-
Cash dividend for the year	-	8,846
<b>Al Meezan Investment Management Limited - Employees Gratuity Fund</b>		
Units issued: 15,156 (2015: 20,758 units)	240	303
Cash dividend for the year	240	303

**For the year ended  
June 30,**

2016	2015
(Rupees in '000)	
<b>5,449</b>	5,778
<b>4,332</b>	2,255
<b>1,395</b>	1,722

**Directors and Executives of the Management Company**

Units issued: 352,594 (2015: 388,849 units)  
Units redeemed: 287,309 (2015: 151,937 units)  
Cash dividend for the year

**17. FINANCIAL RISK MANAGEMENT**

**Financial risk management objectives and policies:**

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

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk and interest rate risk), credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations and the directives issued by the SECP.

Risks managed and measured by the Fund are explained below:

**17.1 Market risk**

**17.1.1 Price risk**

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objectives. The primary objective of the Fund is to provide maximum return to the unitholders from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the fund manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

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

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 5 to these financial statements. As at June 30, 2016, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI) 30 index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund's policy also limits individual equity securities to no more than 15% of net assets.

The net assets of the Fund will increase / decrease by approximately Rs 27.62 million (June 30, 2015: increase / decrease approximately Rs 18.68 million) if the prices of equity instrument vary due to increase / decrease in KMI 30 index by 1 percent with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2016 and the historical correlation of the securities comprising the portfolio to the KMI. The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### 17.1.2 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 balances in saving accounts and investment in debt securities. At June 30, 2016, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs. 19.634 million (2015: approximately Rs. 14.22 million) mainly as a result of finance income.

#### Fair value interest rate risk

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

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet financial instruments is based on the settlement date.

	Effective yield / interest rate	As at 30 June 2016			Total	
		Exposed to yield / interest rate risk				Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	2.50% to 6.10%	652,459	-	-	7,873	660,332
Investments - 'at fair value through profit or loss'	Weighted Average 6 months T-Bills & KIBOR + 1% to KIBOR +1.75%	-	-	885,912	2,522,292	3,408,204
Investments - 'available for sale'		-	-	-	239,328	239,328
Investments - 'loans and receivables'	KIBOR +0.25% to KIBOR +0.40%	-	425,000	-	-	425,000
Receivable on issuance and conversion of units		-	-	-	84,926	84,926
Dividend receivable		-	-	-	7,571	7,571
Receivable against investments (net)		-	-	-	4,020	4,020
Deposits and other receivables		-	-	-	28,304	28,304
		652,459	425,000	885,912	2,894,314	4,857,685
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	-	49,265	49,265
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	534	534
Payable on redemption and conversion of units		-	-	-	11,793	11,793
Accrued expenses and other liabilities		-	-	-	5,401	5,401
Dividend payable		-	-	-	19,999	19,999
		-	-	-	86,992	86,992
<b>On-balance sheet gap</b>		652,459	425,000	885,912	2,807,322	4,770,693
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		652,459	425,000	885,912		
<b>Cumulative interest rate sensitivity gap</b>		652,459	1,077,459	1,963,371		



As at 30 June 2015

Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
(Rupees in '000)						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	3.79% to 7.30%	428,811	-	-	9,213	438,024
Investments - 'at fair value through profit or loss'	Weighted Average 6 months	27,857	792,076	-	1,615,033	2,434,966
	T-Bills & KIBOR+1% to KIBOR +1.75%	-	-	-	250,166	250,166
Investments - 'available for sale'		-	-	-	-	174,000
Investments - 'loans and receivables'	6.705 to 8.46%	-	174,000	-	198,040	198,040
Receivable on issuance and conversion of units		-	-	-	3,614	3,614
Dividend receivable		-	-	-	-	-
Receivable against investments (net)		-	-	-	21,193	21,193
Deposits and other receivables		-	-	-	-	-
		456,668	966,076	-	2,097,259	3,520,003
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	-	28,033	28,033
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	358	358
Payable on redemption and conversion of units		-	-	-	10,220	10,220
Accrued expenses and other liabilities		-	-	-	3,167	3,167
Dividend payable		-	-	-	39,713	39,713
		-	-	-	81,491	81,491
On-balance sheet gap		456,668	966,076	-	2,015,768	3,438,512
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		456,668	966,076	-	-	-
Cumulative interest rate sensitivity gap		456,668	1,422,744	1,422,744	-	-

### 17.1.3 Currency risk

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

### 17.2 Credit risk

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

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

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

	Rating agency	2016		2015	
		(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)
Government guaranteed		<b>120,892</b>	<b>9.22</b>	287,108	35.14
AA+	PACRA/ JCR-VIS	<b>441,772</b>	<b>33.70</b>	-	-
AA	PACRA/ JCR-VIS	<b>125,000</b>	<b>9.54</b>	436,265	53.40
A+	PACRA/ JCR-VIS	-	-	93,667	11.46
AA-	PACRA/ JCR-VIS	<b>623,248</b>	<b>47.54</b>	-	-
		<b>1,310,912</b>	<b>100.00</b>	817,040	100.00

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

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

	Rating agency	2016		2015	
		(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)
AAA	PACRA/ JCR-VIS	<b>1,217</b>	<b>0.18</b>	832	0.19
AA+	PACRA/ JCR-VIS	<b>54,481</b>	<b>8.25</b>	289,709	66.14
AA	PACRA/ JCR-VIS	<b>59,991</b>	<b>9.08</b>	68,244	15.58
A1+	PACRA/ JCR-VIS	-	-	1,752	0.40
A+	PACRA/ JCR-VIS	<b>112,390</b>	<b>17.02</b>	131	0.03
A	PACRA/ JCR-VIS	<b>432,253</b>	<b>65.46</b>	77,356	17.66
		<b>660,332</b>	<b>100.00</b>	438,024	100.00

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentrations of credit risk.

The maximum exposure to credit risk as at June 30, 2016 along with comparative is tabulated below:

#### Financial assets exposed to credit risk

	2016	2015
	(Rupees in '000)	
Balances with banks	<b>660,332</b>	438,024
Investments	<b>1,190,020</b>	532,825
Receivable on issuance and conversion of units	<b>84,926</b>	198,040
Dividend receivable	<b>7,571</b>	3,614
Receivable against investments (net)	<b>4,020</b>	-
Deposits and other receivables	<b>28,304</b>	20,966
	<b>1,975,173</b>	1,193,469

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

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

### 17.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's investments are considered to be readily realisable as they are all listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The Fund manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In accordance with regulation 58(1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 706.15 million as on June 30, 2016 (2015 : Rs 507.52 million). However, no such borrowing has been obtained during the year.

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

In addition to unitholder fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2016 along with comparative is tabulated below:

	2016				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	49,265	-	-	-	49,265
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	534	-	-	-	534
Payable on redemption and conversion of units	11,793	-	-	-	11,793
Accrued expenses and other liabilities	5,401	-	-	-	5,401
Dividend payable	19,999	-	-	-	19,999
	<b>86,992</b>	-	-	-	<b>86,992</b>
	2015				
	Maturity upto			More than one year	Total
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	28,033	-	-	-	28,033
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	358	-	-	-	358
Payable on redemption and conversion of units	10,220	-	-	-	10,220
Accrued expenses and other liabilities	3,167	-	-	-	3,167
Dividend payable	39,713	-	-	-	39,713
	<b>81,491</b>	-	-	-	<b>81,491</b>

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

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

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

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

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

## **19. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

The following table presents the assets that are measured at fair value as at June 30, 2016:

June 30, 2016	Note	Carrying amount				Fair value				
		Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets - measured at fair value</b>										
Investments										
		3,408,204	-	-	-	3,408,204	2,522,292	885,912	-	3,408,204
		239,328	-	-	-	239,328	239,328	-	-	239,328
<b>Financial assets - not measured at fair value</b>										
	19.1	425,000	-	-	-	425,000	-	-	-	-
	19.1	-	-	660,332	-	660,332	-	-	-	-
	19.1	-	84,926	-	-	84,926	-	-	-	-
	19.1	-	7,571	-	-	7,571	-	-	-	-
	19.1	-	4,020	-	-	4,020	-	-	-	-
	19.1	-	28,304	-	-	28,304	-	-	-	-
		<b>4,072,532</b>	<b>124,821</b>	<b>660,332</b>	<b>-</b>	<b>4,857,685</b>	<b>2,761,620</b>	<b>885,912</b>	<b>-</b>	<b>3,647,532</b>
<b>Financial liabilities - not measured at fair value</b>										
	19.1	-	-	-	49,265	49,265	-	-	-	-
	19.1	-	-	-	534	534	-	-	-	-
	19.1	-	-	-	11,793	11,793	-	-	-	-
	19.1	-	-	-	5,401	5,401	-	-	-	-
	19.1	-	-	-	19,999	19,999	-	-	-	-
		-	-	-	<b>86,992</b>	<b>86,992</b>	-	-	-	-

**19.1** The Fund has not disclosed fair values for these financial assets and financial liabilities because their carrying amounts are reasonable approximation of fair value.

## 20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of the net accounting income other than capital gains to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current year as the management company has distributed sufficient income of the Fund for the year ended June 30, 2016 as reduced by capital gains (whether realised or unrealised) to its unitholders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001. Accordingly Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 4B of Income Tax Ordinance, 2001).

## 21. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 31, 2015	September 8, 2015	October 22, 2015	February 25, 2016	April 20, 2016	June 10, 2016
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Atif Azim	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	Yes	No	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes

## 22. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

**2016**  
%

### Broker's Name

1 Foundation Securities (Private) Limited	11.58
2 Arif Habib Securities Limited	11.15
3 Taurus Securities Limited	8.16
4 Topline Securities Limited	7.96
5 Global Securities Limited	7.06
6 Optimus Capital Management (Private) Limited	6.92
7 JS Global Capital Limited	6.88
8 BMA Capital Management Limited	5.64
9 Fortune Securities (Private) Limited	5.51
10 Shajar Capital Pakistan (Private) Limited	5.42

**2015**  
%

### Broker's Name

1 Topline Securities Limited	14.88
2 Shajar Capital Pakistan (Private) Limited	13.62
3 Optimus Capital Management (Private) Limited	13.15
4 JS Global Capital Limited	11.28
5 Fortune Securities (Private) Limited	10.13
6 BMA Capital Management Limited	7.29
7 Foundation Securities (Private) Limited	5.77
8 Arif Habib Securities Limited	5.28
9 AKD Securities Limited	5.08
10 Elixir Securities Limited	3.37

### 23. PERFORMANCE TABLE

	2016	2015	2014	2013	2012
Net assets (Rs '000) (ex-distribution)	<b>4,707,687</b>	3,383,460	1,930,486	1,747,480	1,307,043
Net assets value per unit / certificate as at June 30 (Rs) (ex-distribution)	<b>15.84</b>	14.67	13.35	14.56	10.89
<b>Distribution</b>					
- Final	-	-	15.00%	19.00%	17.50%
- Interim	<b>6.00%</b>	8.00%	22.50%	-	-
Dates of distribution	<b>June 24, 2016</b>	June 26, 2015	May 30, 2014	July 8, 2013	September 14, 2011
Distribution - Cash Dividend (Rs '000')	<b>171,188</b>	158,790	180,000	228,000	210,000
Distribution - Bonus Units (Rs '000')	-	-	279,974	-	-
Highest NAV per unit / certificate (Rs)	<b>16.57</b>	15.64	15.69	15.01	13.12
Lowest NAV per unit / certificate (Rs)	<b>14.25</b>	12.96	12.95	12.06	11.06
Total return	<b>12.00%</b>	16.00%	20.00%	31.84%	16.80%
Earnings per unit / certificate (Rs)	*	*	*	2.69	2.11
	<b>One year</b>	Two years	Three years	Four years	Five Years
Average annual return as at June 30, 2016	<b>12.00%</b>	13.98%	15.95%	19.74%	19.14%

Average annual return as at June 30, 2016

### 24. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty six years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty years
Mr. Ahmed Hassan	VP Investments	CFA / MBA	Nine years
Mr. Ali Khan	VP Product Development	CFA, FRM, MBA	Six years
Mr. Zain Malik	VP Investments	CFA level II / BBA	Seven years
Mr. Asif Imtiaz	Senior Manger	CFA / MBA - Finance	Eight years
Mr. Asmar Hamoodi	AVP Investments	BBA - Finance / CFA / A.C.C.A	Four years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Eleven years

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

- KSE Meezan Index Fund
- Meezan Tahaffuz Pension Fund

## 25. PATTERN OF UNIT HOLDING

	As at June 30, 2016		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	2889	2,843,081	60.39%
Associated companies / directors	5	353,353	7.51%
Insurance companies	4	40,989	0.87%
Banks / DFIs	2	58,274	1.24%
NBFCs	1	552	0.01%
Retirement funds	53	375,226	7.97%
Public limited companies	50	1,036,212	22.01%
<b>Total</b>	<b>3,004</b>	<b>4,707,687</b>	<b>100.00%</b>

	As at June 30, 2015		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	2292	1,952,285	57.70%
Associated companies / directors	7	487,959	14.42%
Insurance companies	3	14,674	0.43%
Banks / DFIs	3	72,050	2.13%
NBFCs	1	493	0.01%
Retirement funds	46	289,766	8.56%
Public limited companies	38	566,233	16.74%
<b>Total</b>	<b>2,390</b>	<b>3,383,460</b>	<b>100.00%</b>

## 26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 31, 2016 by the Board of Directors of the Management Company.

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

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

  
**Mazhar Sharif**  
**Director**



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

AS AT JUNE 30, 2016

UNITS HELD BY	UNITS HELD	%
<b>Associated companies</b>		
-Meezan Bank Limited	18,886,746	6.35
-Al-Meezan Investment Management Ltd	853,671	0.29
- Al-Meezan Investment Management Ltd Employees Gratuity Fund	415,271	0.14
<b>Directors</b>		
-Mr. Ariful Islam	2,135,346	0.72
<b>Chief Executive</b>		
-Mohammad Shoaib, CFA	16,480	0.01
<b>Executives</b>	235,990	0.08
<b>Bank &amp; Financial Institution</b>	3,713,766	1.25
<b>Individuals</b>	179,251,066	60.31
<b>Retirement funds</b>	23,688,392	7.97
<b>Other corporate sector entities</b>	37,224,873	12.53
<b>Non-Profit Organization</b>	30,779,794	10.36
<b>Total</b>	<b>297,201,395</b>	<b>100</b>



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