

INTELLIGENT PLANNING, INTELLIGENT LIVING



ANNUAL
REPORT
2016



meeZan
islamic fund
میزان

almeeZan
mutual fund
میزان

meeZan
kse meeZan index fund
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balanced fund
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asset allocation fund
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gold fund
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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.

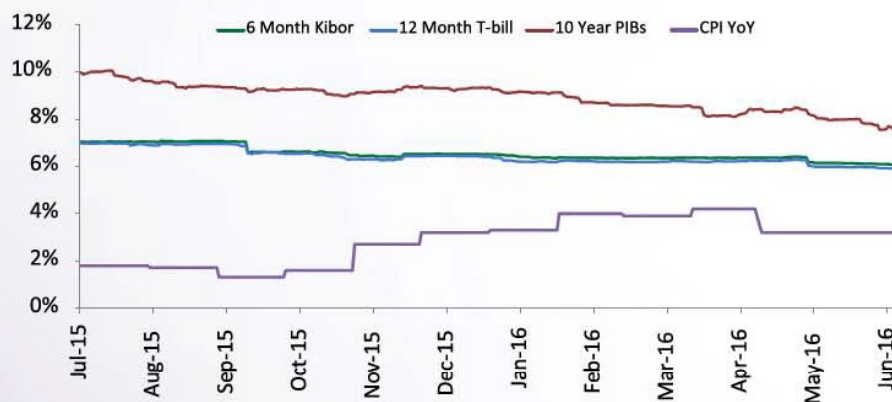
Inflation for FY 16 clocked in at 2.86%. The declining trend in international oil and commodity prices are expected to keep the inflation in check with SBP's forecast for FY17 in the range of 4.5% to 5.5%.

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

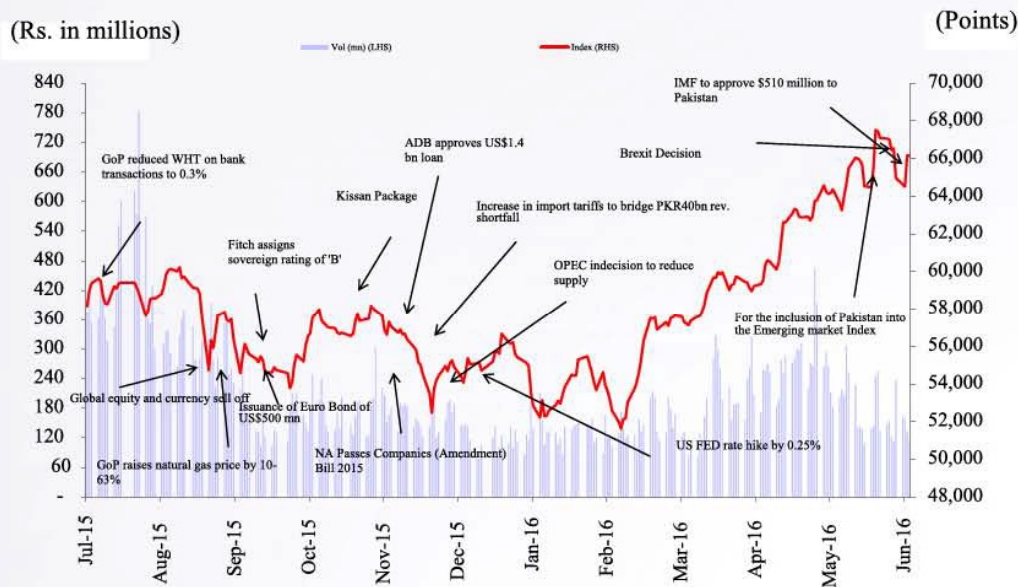
During FY16, Power and Cement remained the best performing sectors. The stocks which remained the largest contributors to the index during the period were:

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

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

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

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
Meezan Tahaffuz Pension Fund					
- 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	
Meezan Financial Planning Fund of Funds					
- 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
Total			71,321		

* 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 والنٹری پنشن اسکیم کے آڈٹ شدہ مالیاتی گوشواروں کو پیش کرتے ہوئے خوش محسوس کر رہا ہے۔

ایکویٹی فنڈز

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

بیلنسڈ فنڈ

- میزان بیلنسڈ فنڈ

ایسٹ ایبلو کیشن فنڈ

- میزان ایسٹ ایبلو کیشن فنڈ

کموڈٹی فنڈ

- میزان گولڈ فنڈ

اقتصادی جائزہ:

مچھڑہ 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 (ڈس کاؤنٹ 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 رد 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۔

مچھڑہ 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 جو اب 19.9 ارب امریکی ڈالر ہے)، کم کاروباری خسارے اور جاری کولیشن سپورٹ فنڈ (سی ایس ایف) کی آمد جو کہ تقریباً 713 ملین 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 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 ٹیلیٹی (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 زرمبادلہ 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۔

بالمجموع 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 مؤقف پر کاربند رہتے ہوئے شرح رعایت (ڈسکاؤنٹ ریٹ) میں اپنے دو ماہی مونیٹری پالیسی اسٹیٹمنٹ (MPS) جو کہ مئی 2016ء میں اعلان کیا گیا 25bps کی کمی کردی اور اسے 6.25% (اور ٹارگٹ پالیسی ریٹ کو 5.75%) کی ریکارڈ 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 107-105bps جبکہ پی آئی بی کی یافت قابل ذکر 187-238bps اس زیر جائزہ عرصے میں نیچے گئے 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 اوایم اوکی (mop-ups) اور 486 ارب روپے مالیت کی فلور پلیسمنٹس کے مقابلے میں تھیں۔ اس کے ساتھ 26 عدد 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 اب 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۔

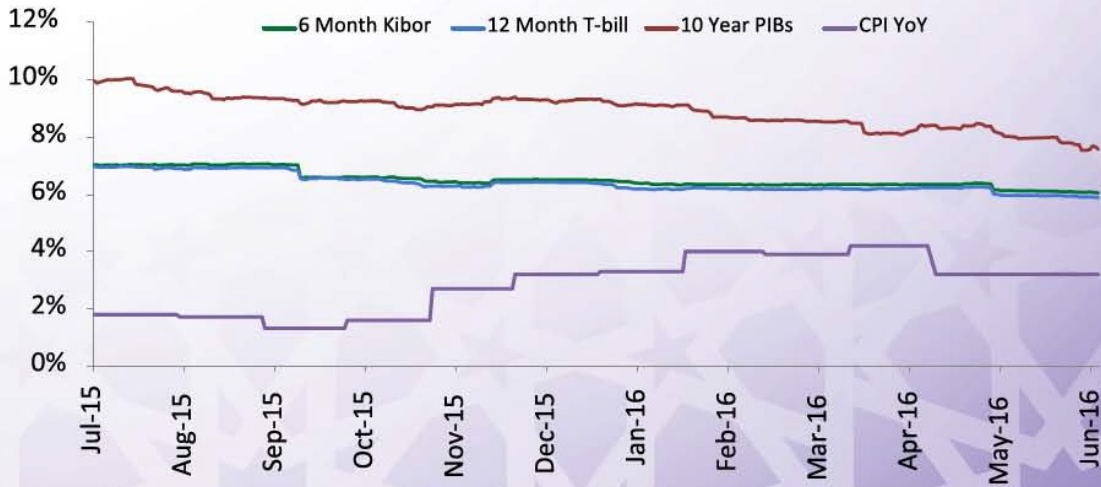
بازار زر کا شریبہ سے ہم آہنگ سراء، جسے سرمایہ کاری کے مواقع کی قلت کے سبب زریسیال کی بہتات کے مسئلے کا سامنا ہے کو تھوڑا سکون اس وقت میسر آیا جب حکومت نے اسلامی اوپن مارکیٹ آپریشنز یعنی او ایم او/ اجارہ صلکوک 9 تا 13 جون 2015ء میں پختہ ہوئے؛ کیلئے بیچ معجل، ان بیچ معجل نے مجموعی طور پر اسلامی بینکس کی 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 صلکوک کے پختہ ہونے پر بہت بڑے زریسیال کی سراعیت 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، مقابلہء شرکت 32 ارب روپے کے۔

مزید یہ کہ تین تازہ حکومت پاکستان کے اجارہ صلکوک (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 فرنٹیر مارکیٹ سے ایمرجنگ 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 ایمرجنگ 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 ریگولیٹری 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 شگونوں 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 ایکسچینج میں غیر یقینی 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 شاخسانہ تھا اور یہی کچھ تمام ابھرتی مارکیٹس میں ہوا۔ بعد میں امریکی فیڈ رل ریزرو ریٹ میں چڑھاؤ سے متعلق توقعات (جو اس 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 فرنٹیر سے MSCI ایمرجنگ 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 زبر جائزہ عرصے کے دوران، بالآخر، بیٹنچ 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

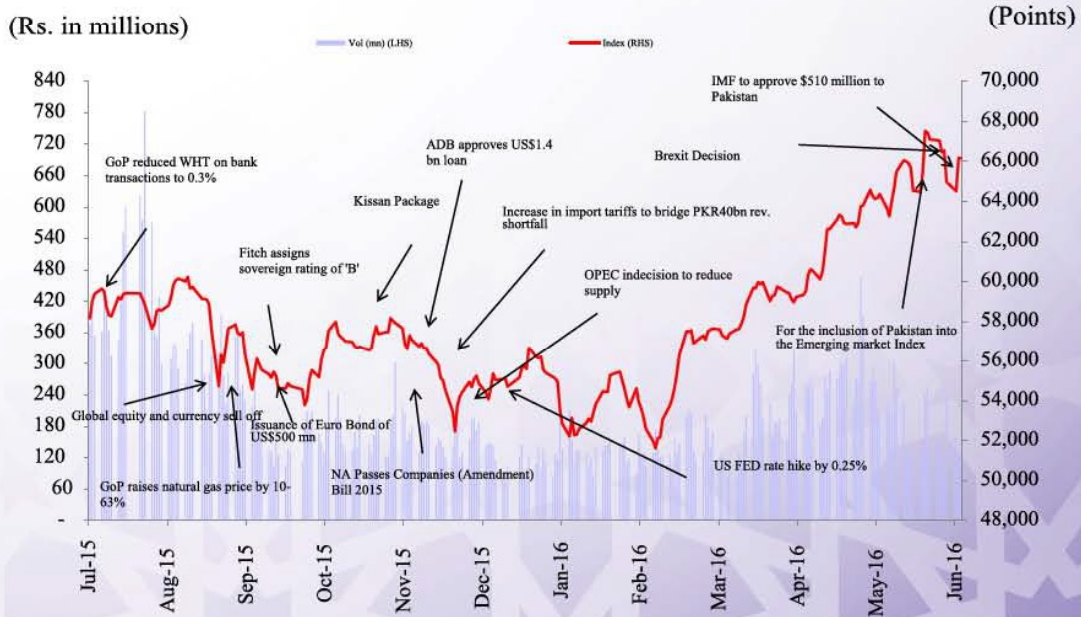
مالی سال 2016ء کے دوران، توانائی اور سینٹ کے ادارے بہترین کارکردگی والے شعبہ جات تھے۔ اس عرصے کے دوران بہترین کارکردگی والے شراکت دار یہ تھے:

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 کھاد 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 اونچائی 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 ہے کمپنیز، بینکرز اور پبلکس علی الترتیب 84 ملین امریکی ڈالر، 22 ملین امریکی ڈالر اور 6 ملین امریکی ڈالر کے ساتھ نیٹ سیلرز ہے۔

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 معاہدین اینگرو فریٹلائزر اور اینگرو فوڈز میں تقسیم کر دیا۔ کمپنی نے 65.47 روپے فی شیئر کی پرائیویٹ پبلسمنٹ کے ذریعے اینگرو فریٹلائزر 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 151% 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 ازسرنو 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 ازسرنو 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، فنڈز 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 لائے۔ 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 ازسرنو 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 1454 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 زر اور انکم فنڈز نے جون 2016 کو ختم ہونے والے مالی سال کے دوران حساسیت کے لحاظ سے اضافہ ظاہر کیا ہے۔ مشترکہ کیٹیگری (زمرہ) نے اس عرصے کے اختتام پر 201 ارب روپے پر پہنچ کر 2.6% اضافہ ظاہر کیا ہے۔ جبکہ روایتی (کنوشنل) فنڈ نے اس کیٹیگری میں 1.9% اضافہ اور اسلامی فنڈز میں 5.7% اضافہ کیا۔

اوپن اینڈ ایجوٹیو فنڈز (بشمول کیپیٹل پروٹیکٹڈ، ہیلسڈ، انڈیکس ٹریڈر اور ایسیٹ المینیشن) جون 2016ء کے مطابق 215 ارب روپے سے 14.6% بڑھ گیا جو 30 جون 2015ء پر مقابلہ 188 ارب روپے تھا۔ اس کیٹیگری میں روایتی فنڈز میں 4.4% اضافہ رہا جبکہ اسلامک ایجوٹیو ہیڈ فنڈز نے زبر 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 کل پیشن فنڈز میں 39.2% اضافے کے ساتھ جون 2016ء کو 19 ارب روپے رہا۔ زبر جائزہ مدت میں اسلامک پیشن 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 پیشن فنڈ (MTPF) نے اپنی 9 سالہ لیڈ کو برقرار رکھا جو 2007ء سے قائم ہے اور 2016 میں اس میں مزید بہتری دیکھی گئی۔ میزان تحفظ پیشن 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 پیشن 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 پیشن فنڈ کے حوالے سے کام کر رہی ہیں میزان تحفظ پیشن فنڈ (MTPF) نے اپنی بہتر کارکردگی کو برقرار رکھا اور دیگر پیشن فنڈز سے مسابقت کی اور پیشن فنڈز کی کائنات میں غلبے کا حامل ٹھہرا۔

کارکردگی کا جائزہ (پیشن فنڈز):

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



کارکردگی کا جائزہ (فنڈز):

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
Meezan Tahaffuz Pension Fund					
- 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	
Meezan Financial Planning Fund of Funds					
- 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
Total			71,321		

* 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 نے 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 مائیکرو اکنامک فنڈ منٹلز میں بہتری اور جاری چائنا پاکستان اکنامک کارڈینور کی ترقی سے امید ہے کہ حصص کو مستحکم کرے اور طویل مدت تک ترقی کا باعث بنے۔ کموڈیٹی بالخصوص قیمتی دھاتیں جیسا کہ سونا کے اتار 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۔

مسلح 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. چارٹرڈ اکاؤنٹنٹس سکدوش ہو چکے لیکن اہلیت رکھنے کے باعث اپنی خدمات المیز ان مینجمنٹ کے تحت کلکیٹیو 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 کلکیٹیو 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 اسٹیٹمنٹس 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 پونٹ 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	-

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

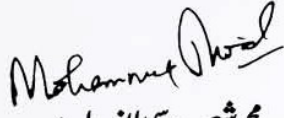
بورڈ کے اجلاس

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 تہہ دل سے شکریہ 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، سکیورٹیز 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 میزبان بینک کے شرعی 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 Islamic Fund

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

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Abdullah Ahmed Muhammad	Non-Executive	
Syed Amir Ali	Non-Executive	
Mr. Atif Azim	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Moin M. Fudda	Independent	
Mr. Mazhar Sharif	Non-Executive	
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 SultanTrust Building No.2, Beaumont Road, Karachi - 75530.

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

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

REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2016

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

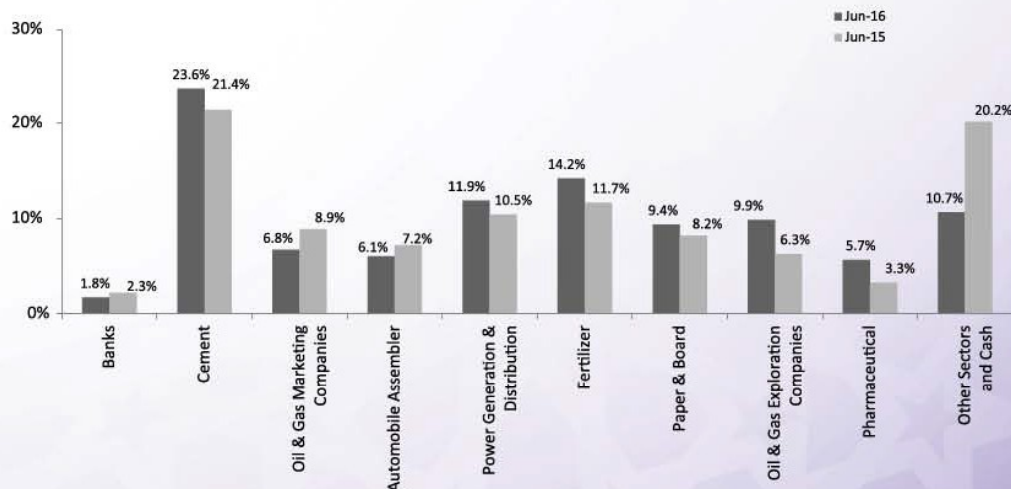
The objective of MIF is to provide optimum returns to the investors from investment in Shariah Compliant stocks for the given level of risk, while abiding by all applicable rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), dividend income and other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

Strategy, Investment Policy and Asset Allocation

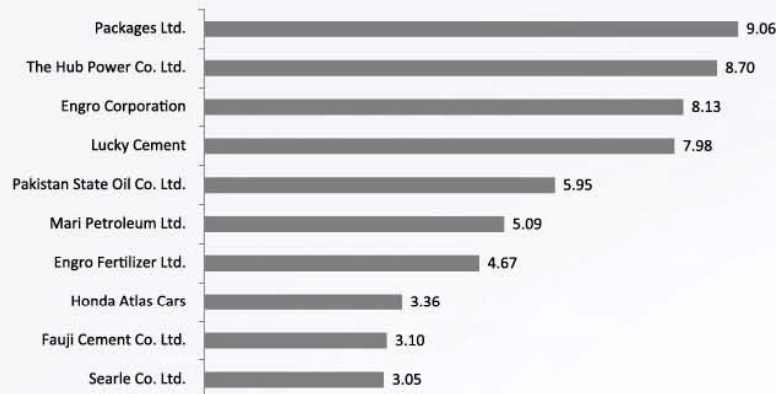
The performance of MIF is linked directly to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against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

During the year, the fund increased its equity exposure to as high as 100% in line with the market trend. However, it maintained an average exposure of 97% to equities during the year, while closing the year at 94%. The fund maintained heavy exposure to the Cement sector taking into consideration the profitability of this sector while it increased exposure in Fertilizer and Power sectors. However, exposure in Oil and Automobile sectors was reduced due to weak outlook.

Sector Allocation for the year ended FY15 and FY16



Top Equity Holdings (%)

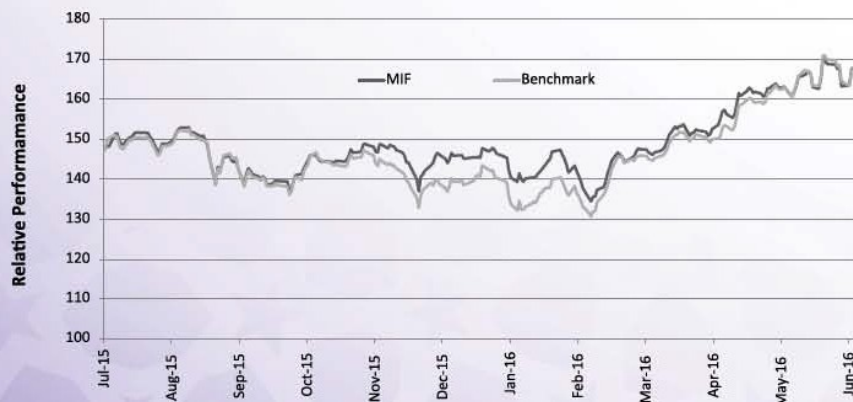


Performance Review

During fiscal year 2016, Meezan Islamic Fund (MIF) provided a return of 17.40% to its investors while KSE Meezan Index (KMI 30) appreciated by 15.53% to close at 66,163 pts.

MIF posted a total income of Rs. 5,329 million in the fiscal year 2016 as compared to Rs. 3,920 million last year. Total income comprised of unrealized gain on investments of Rs. 3,398 million and dividend income of Rs. 1,311 million while profit on saving accounts with banks amounted to Rs. 69 million. After accounting for expenses of Rs. 875 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 383 million, the Fund posted a net profit of Rs. 4,836 million. The net assets of the Fund as at June 30, 2016 were Rs. 32,554 million as compared to Rs. 27,403 million at the end of year depicting a rise of 19%. The net asset value per unit as at June 30, 2016 was Rs. 66.21 as compared to Rs.61.11 per unit as on June 30, 2015.

	MIF	KMI-30
Net Asset Value (NAV) as on June 30, 2015 -Rs.	61.11	57,271
Net Asset Value (NAV) as on June 30, 2016 -Rs.	66.21	66,163
Return During the Period (<i>Dividend adjusted</i>)	17.40%	15.53%



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. 16.80 million was accrued as charity payable.

Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2016 was Rs. 2.95 per unit (5.90%). Total distribution made by the fund was Rs. 1,291 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:

Proxy Resolution	Election of Directors for Kohat Cement Company Limited
Fund	MEEZAN ISLAMIC FUND
Shares Held	3,085,500
Date of Proxy	27th June 2016 (Monday)
Result of Proxy Vote	The Investment Committee of Al Meezan Investments Management Limited has decided to execute the proxy form in favor of the following participants: <ul style="list-style-type: none"> ● Mr. Aizaz Sheikh (Chief Executive, Director, Kohat Cement Company Ltd) ● Mr. Rahman Sheikh s/o Aizaz Sheikh (Director, Kohat Cement Company Ltd)

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

Fund Ranking

JCR-VIS Credit Rating Company has assigned the fund a weighted average performance rating of 'MFR 3-Star' for one year, 'MFR 4-Star' for three years and 'MFR 3-Star' for five years.

Breakdown of unit holdings by size:

(As on June 30, 2016)

Range (Units)	No. of Investors
1 - 9,999	9,286
10,000 - 49,999	3,305
50,000 - 99,999	516
100,000 - 499,999	339
500,000 and above	86
Total	13,532



Meezan Bank
The Premier Islamic Bank

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

August 3, 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 in line with the *Shari'ah* guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of MIF in light of *Shari'ah* requirements. Following is the list of the top investments of MIF as on June 30, 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)
Engro Corporation Ltd	Fertilizer	28%	7%	1.05%	79%	-131.58	333.55
Lucky Cement	Cement	10%	3%	1.85%	73%	-30.12	649.4
Packages Ltd	Paper and Board	10%	6%	0.20%	91%	-95.02	635.88
Hub Power Co Ltd	Power Generation and Distribution	29%	0%	0.15%	43%	-25	120.43
Pakistan State Oil Ltd	Oil and Gas Marketing Companies	0%	0%	1.50%	74%	-40.376	376.63

Page 1 of 2

Meezan Bank Ltd.
Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Fauji Cement Co. Ltd	Cement	20%	5%	0.97%	85%	-5.49	35.86
The Searle Co. Ltd	Pharmaceutical	20%	0%	0.08%	46%	12.55	540.79
Honda Atlas Cars	Automobile Assembler	0%	4%	0.46%	60%	-11.6	365.52
Engro Fertilizer Ltd	Fertilizer	28%	11%	1.23%	83%	-34.58	64.62
Mari Petroleum Ltd	Oil & Gas Exploration Companies	21%	0%	0.45%	44%	-110.95	913.5

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

** All interest based debts.

- ii. On the basis of information provided by the management, all operations of MIF 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 MIF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

During the year a provision of Rupees 16.2 million was created and an amount of Rupees 12.05 million was disbursed as charity. The amount of Rupees 26.06 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 Shahra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
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Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 Shoab, 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 NBFI 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 Shoib, CFA
Chief Executive
Dated: August 31, 2016
Karachi.



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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Al Meezan Investment Management Limited (“Management Company”) of the Fund for the year ended 30 June 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



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Independent Auditors' Report to the Unitholders

Report on the Financial Statements

We have audited the accompanying financial statements of **Meezan Islamic Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 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 2016
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
Assets			
Balances with banks	4	1,928,938	1,436,341
Investments	5	30,554,409	26,982,856
Receivable on issuance and conversion of units		1,309,796	462,040
Receivable against sale of investments (net)		-	268,775
Dividend receivable		48,558	67,461
Deposits, prepayments and other receivables	6	13,674	26,256
Total assets		33,855,375	29,243,729
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	327,962	205,037
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	2,949	2,409
Payable to Meezan Bank Limited (MBL)		1,913	1,109
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	26,541	21,037
Payable on redemption and conversion of units		111,869	1,400,139
Payable against purchase of investments (net)		529,926	-
Accrued expenses and other liabilities	10	299,809	211,281
Total liabilities		1,300,969	1,841,012
Net assets		32,554,406	27,402,717
Contingencies and commitments	11		
Unitholders' fund (as per statement attached)		32,554,406	27,402,717
(Number of units)			
Number of units in issue	13	491,662,544	448,391,488
(Rupees)			
Net assets value per unit		66.21	61.11

The annexed notes 1 to 25 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director

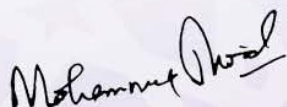
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Income			
Dividend income		1,311,427	986,583
Profit on saving accounts with banks		69,289	108,627
Net realised gain / (loss) on sale of investments		595,659	(10,982)
Other Income		-	35,813
		1,976,375	1,120,041
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.1 & 5.1.5.1	3,398,433	2,863,676
Impairment loss on 'available for sale' investments	5.2.3	(46,273)	(63,864)
		3,352,160	2,799,812
		5,328,535	3,919,853
Total income			
Expenses			
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7.1	558,765	442,878
Sindh Sales Tax and Federal Excise Duty on Management Fee	7.2 & 7.3	180,145	147,921
Allocated expense	7.4	15,183	-
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	28,938	23,144
Sindh Sales Tax on Trustee Fee	8.1	4,052	-
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	26,541	21,037
Auditors' remuneration	14	699	547
Charity expense		16,219	16,033
Fees and subscription		1,669	40
Legal and professional charges		417	210
Brokerage expense		36,781	34,594
Bank and settlement charges		3,824	9,921
Provision for Workers' Welfare Fund (WWF)	12	-	79,158
Printing expenses		2,091	150
Total expenses		875,324	775,633
Net income from operating activities		4,453,211	3,144,220
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		382,924	734,521
Net income for the year before taxation		4,836,135	3,878,741
Taxation	19	-	-
Net income for the year after taxation		4,836,135	3,878,741
Other comprehensive income for the year			
Items that can be reclassified to income statements in subsequent periods			
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale' (net)	5.2.2	(10,559)	765,465
Total comprehensive income for the year		4,825,576	4,644,206

The annexed notes 1 to 25 form an integral part of these financial statements.

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


Mohammad Shoab, CFA
Chief Executive


Mazhar Sharif
Director


DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	(Rupees in '000)	
Undistributed income brought forward		
- Realised	2,421,038	89,236
- Unrealised	2,863,676	1,085,071
	5,284,714	1,174,307
Final distribution for the year ended June 30, 2015		
- cash dividend @ 4.4% i.e. Rs 2.20 per unit (2014: nil)	(986,461)	-
Interim distribution for the year ended June 30, 2016		
- cash dividend @ 5.9% i.e. Rs 2.95 per unit (2015: nil)	(1,291,006)	-
Total Distribution	(2,277,467)	-
Net income for the year	4,836,135	3,878,741
Element of income and capital gains included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)	54,481	231,666
Undistributed income carried forward	7,897,863	5,284,714
Undistributed income carried forward		
- Realised	4,499,430	2,421,038
- Unrealised	3,398,433	2,863,676
	7,897,863	5,284,714

The annexed notes 1 to 25 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

	2016 (Rupees in '000)	2015
Net assets at beginning of the year	27,402,717	16,621,765
Issue of 362,746,152 units (2015: 414,254,425 units)	22,669,705	22,869,873
Issue of 31,896,016 units for reinvestment of cash dividend (2015: nil)	2,052,818	-
Redemption of 351,371,112 units (2015: 296,717,272 units)	(21,736,019)	(15,998,606)
	2,986,504	6,871,267
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(382,924)	(734,521)
Net realised gain / (loss) on sale of investments	595,659	(10,982)
Unrealised appreciation on re-measurement of investments (net)	3,341,601	3,565,277
Net other income for the year	888,316	1,089,911
Total comprehensive income for the year	4,825,576	4,644,206
Final distribution for the year ended June 30, 2015		
- Cash distribution	(986,461)	-
Interim distribution for the year ended June 30, 2016		
- Cash distribution	(1,291,006)	-
Total Distribution	(2,277,467)	-
Net income for the year less distribution	2,548,109	4,644,206
Net assets at end of the year	<u>32,554,406</u>	<u>27,402,717</u>

(Rupees)

Net assets value per unit at beginning of the year	61.11	50.24
Net assets value per unit at end of the year	66.21	61.11

The annexed notes 1 to 25 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
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		4,836,135	3,878,741
Adjustments for:			
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.1 & 5.1.5.1	(3,398,433)	(2,863,676)
Impairment loss on 'available for sale' investments	5.2.3	46,273	63,864
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(382,924)	(734,521)
		(3,735,084)	(3,534,333)
(Increase) / Decrease in assets			
Investments (net)		(229,952)	(8,119,683)
Receivable against sale of investments (net)		268,775	(268,775)
Dividend receivable		18,903	(52,207)
Deposits, prepayments and other receivables		12,582	1,079
		70,308	(8,439,586)
Increase / (Decrease) in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		122,925	122,605
Payable to Central Depository Company of Pakistan Limited - Trustee		540	1,004
Payable to Meezan Bank Limited		804	(1,695)
Payable to Securities and Exchange Commission of Pakistan		5,504	9,474
Payable against purchase of investments (net)		529,926	(178,972)
Accrued expenses and other liabilities		88,528	91,015
		748,227	43,431
Net cash generated from / (used in) operating activities		1,919,586	(8,051,747)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuances and conversion of units		23,874,767	22,407,833
Dividend paid		(2,277,467)	-
Payment against redemption and conversion of units		(23,024,289)	(14,618,695)
Net cash (used in) / generated from financing activities		(1,426,989)	7,789,138
Net increase / (decrease) in cash and cash equivalents during the year		492,597	(262,609)
Cash and cash equivalents at beginning of the year		1,436,341	1,698,950
Cash and cash equivalents at end of the year	4	1,928,938	1,436,341

The annexed notes 1 to 25 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 16, 2003 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund, is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund has been formed to enable the unitholders to participate in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as Equity Scheme in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP).
- 1.4** The Management Company of the Fund has been given a quality rating of AM2++ by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

2. BASIS OF PRESENTATION

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

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except that investments classified as 'at fair value through profit or loss' and 'available for sale' 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 judgments

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 judgment 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Impairment of financial instruments (note 3.1.6 and 5.2.2);
- c) Recognition of provision for Workers' Welfare Fund (note 12); and
- d) Taxation (note 3.7 and 19)

2.5 New Standard Applicable - fair value measurement

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 January 01, 2015. IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the Fund's financial statements. The effects of IFRS 13 "Fair Value Measurement" are disclosed in note 18 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 July 01, 2016:

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 January 01, 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations': IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines

that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments - Disclosures': IFRS 7 is amended to clarify when servicing arrangements 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 IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- 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.
- IAS 19 'Employee Benefits': IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting': IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The 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 the periods presented, unless otherwise stated.

3.1 Financial instruments

3.1.1 Classification

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

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

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

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

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

b) Loans and receivables

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

c) Available for sale

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

3.1.2 Regular way contracts

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

3.1.3 Recognition

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

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

3.1.4 Measurement

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

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

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

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

3.1.5 Fair value measurement principles

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

3.1.6 Impairment

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

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

3.1.7 Derecognition

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

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

3.1.8 Offsetting of financial instruments

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

3.2 Unitholders' fund

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

3.3 Issue and redemption of units

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

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

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

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

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

3.5 Provisions

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

3.6 Net assets value per unit

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

3.7 Taxation

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

Current

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

Deferred

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

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

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

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

3.8 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- (iv) 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.
- (v) Profit on saving accounts with banks are recorded on effective yield method.

3.9 Expenses

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

3.10 Earnings per unit

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

3.11 Cash and cash equivalents

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

3.12 Distribution

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

4. BALANCES WITH BANKS

	Note	2016 (Rupees in '000)	2015
On current accounts		13,166	40,813
On saving accounts	4.1	1,915,772	1,395,528
		<u>1,928,938</u>	<u>1,436,341</u>

- 4.1 The balances in saving accounts have an expected profit ranging from 2.50% to 6.10% per annum (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	26,915,773	22,973,934
Investments - 'available for sale'	5.2.1	3,638,571	4,008,922
Investment in ordinary shares - unlisted	5.1.6	65	-
		30,554,409	26,982,856
5.1 Investments - 'at fair value through profit or loss'			
Held for trading	5.1.1	26,675,399	22,570,106
Investments - 'at fair value through profit or loss upon initial recognition'	5.1.5	240,374	403,828
		26,915,773	22,973,934

5.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)				----- % -----
Sector / Companies									
Automobile assembler									
Honda Atlas Cars (Pakistan) Limited	3,270,000	251,900	-	780,100	2,741,800	611,716	984,553	372,837	3.22
Indus Motor Company Limited	775,394	117,980	-	77,332	816,042	1,006,787	766,704	(240,083)	2.51
Millat Tractors Limited	141,200	-	-	24,300	116,900	80,172	66,662	(13,510)	0.22
Pakistan Suzuki Motor Company Limited	591,822	-	-	518,800	73,022	31,831	27,905	(3,926)	0.09
									6.04
Automobile parts and accessories									
Agriauto Industries Limited (note 5.1.2)	341,700	-	-	341,700	-	-	-	-	-
Thal Limited (note 5.1.2)	196,707	280,600	-	275,000	202,307	54,583	57,257	2,674	0.19
									0.19
Chemicals									
Alkzo Nobel Pakistan Limited	-	50,000	-	-	50,000	8,763	9,233	470	0.03
ICI Pakistan Limited	855,200	12,400	-	165,800	701,800	301,393	312,315	10,922	1.02
Ghani Gases Limited	-	850,000	578,000	575,000	853,000	20,795	16,710	(4,085)	0.05
Sitara Chemicals Industries Limited	500	5,000	-	-	5,500	1,893	2,002	109	0.01
									1.11
Cement									
Attock Cement Pakistan Limited	884,237	-	-	877,200	7,037	1,341	1,680	339	0.01
Cherat Cement Company Limited	4,289,612	2,542,500	-	186,500	6,645,612	593,650	794,616	200,966	2.60
D.G Khan Cement Company Limited	31,722	5,975,500	-	1,103,900	4,903,322	782,730	934,034	151,304	3.06
Fauji Cement Company Limited	34,740,500	4,325,000	-	11,502,000	27,563,500	967,936	986,773	18,837	3.23
Kohat Cement Company Limited	2,872,900	487,400	-	274,800	3,085,500	630,891	808,154	177,263	2.64
Lucky Cement Limited	4,648,379	879,400	-	1,893,300	3,634,479	1,931,370	2,356,996	425,626	7.71
Maple Leaf Cement Factory Limited	8,440,000	1,820,000	-	5,739,500	4,520,500	359,956	476,958	117,002	1.56
Pakcem Limited (formerly Lafarge Pakistan)	-	699,500	-	-	699,500	14,600	12,353	(2,247)	0.04
Pioneer Cement Limited	6,714,000	2,431,000	-	300,000	8,845,000	781,301	949,953	168,652	3.11
									23.96
Household Goods									
Tariq Glass Industries Limited	-	51,500	-	50,000	1,500	98	111	13	-
Paper and Board									
Cherat Packaging Limited	-	303,800	-	-	303,800	88,533	103,830	15,297	0.34
Packages Limited	1,860,579	829,650	-	189,850	2,500,379	1,470,100	1,590,791	120,691	5.21
									5.55
Technology and communication									
Pakistan Telecommunication Company Limited "A"	15,314,037	6,500,000	-	21,775,000	39,037	655	587	(68)	-
Refinery									
Attock Refinery Limited	-	1,020,400	-	522,500	497,900	120,264	139,482	19,218	0.46
National Refinery Limited	2,905	266,500	-	268,600	805	212	383	171	-
									0.46
Miscellaneous									
Shifa International Hospitals Limited	384,300	359,200	46,188	52,000	737,688	201,802	221,306	19,504	0.72

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)			%	
Commercial Banks									
Meezan Bank Limited (an associate of the Fund)	10,280,000	528,000	-	3,514,919	7,293,081	299,461	309,956	10,495	1.01
Oil and gas Marketing Companies									
Attock Petroleum Limited	377,579	-	-	75,000	302,579	171,629	132,390	(39,239)	0.43
Hascol Petroleum Limited (note 11)	1,751,640	117,100	305,108	1,612,600	561,248	54,921	109,651	54,730	0.36
Pakistan State Oil Company Limited	3,314,123	790,400	-	555,000	3,549,523	1,352,703	1,332,704	(19,999)	4.36
Shell (Pakistan) Limited	52,500	-	-	4,200	48,300	12,218	14,017	1,799	0.05
Sui Northern Gas Pipelines Limited	5,992,000	5,390,000	-	11,373,000	9,000	288	327	39	-
									5.20
Oil and gas Exploration Companies									
Oil and Gas Development Company Limited	-	4,938,500	-	1,115,300	3,823,200	528,446	527,869	(577)	1.73
Pakistan Oilfields Limited	1,639,797	328,100	-	739,800	1,228,097	460,020	426,739	(33,281)	1.40
Pakistan Petroleum Limited	93,450	4,663,600	-	1,991,700	2,765,350	367,874	428,768	60,894	1.40
Mari Petroleum Company Limited (note 11)	1,771,330	405,500	-	399,050	1,777,780	887,315	1,614,615	727,300	5.28
									9.81
Pharmaceuticals									
Abbott Laboratories (Pakistan) Limited	478,250	511,400	-	103,300	886,350	579,442	668,308	88,866	2.19
Ferozsons Laboratories Limited	387,150	113,000	-	330,150	170,000	122,271	175,260	52,989	0.57
Glaxo Smithkline Pakistan Limited (note 5.1.7)	3,520	-	-	3,504	16	3	3	-	-
Highnoon Laboratories Limited (note 11)	-	162,200	3,480	165,100	580	171	334	163	-
The Searle Company Limited (note 11)	1,252,800	613,000	628,368	875,000	1,619,168	437,505	868,117	430,612	2.84
									5.60
Power Generation and Distribution									
Hub Power Company Limited	10,346,716	4,858,700	-	2,541,000	12,664,416	1,271,285	1,520,490	249,205	4.98
Kot Addu Power Company Limited	-	1,003,500	-	1,003,500	-	-	-	-	-
K - Electric Limited (note 5.1.2)	39,811,000	96,110,500	-	17,639,000	118,282,500	931,945	953,357	21,412	3.12
Kohinoor Energy Limited	1,189,500	-	-	316,500	873,000	44,087	35,968	(8,119)	0.12
Lalpir Power Limited	8,059,500	988,000	-	7,637,500	1,410,000	43,052	30,597	(12,455)	0.10
Pakgen Power Limited	1,475,000	539,000	-	2,013,500	500	15	12	(3)	-
									8.32
Cable & Electrical Goods									
Pak Elektron Limited	12,415,000	11,878,250	-	15,788,500	8,504,750	547,210	549,832	2,622	1.80
Fertilizer									
Dawood Hercules Corporation Limited	-	3,041,100	-	20,000	3,021,100	360,622	449,751	89,129	1.47
Engro Corporation Limited (note 5.1.3)	8,463,100	2,648,600	-	3,351,200	7,760,500	2,352,662	2,584,014	231,352	8.46
Engro Fertilizers Limited	7,778,000	26,009,200	-	10,750,500	23,036,700	1,508,564	1,485,406	(23,158)	4.86
Fatima Fertilizer Company Limited	5,574,000	3,890,000	-	9,464,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	9,749	-	-	9,749	-	-	-	-	-
Fauji Fertilizer Company Limited	2,559	1,044,300	-	1,046,859	-	-	-	-	-
									14.79
Engineering									
Amreli Steels Limited	-	2,550,000	-	1,977,500	572,500	31,199	26,919	(4,280)	0.09
Crescent Steel & Allied Products Limited	-	1,947,100	50,000	84,000	1,913,100	223,859	219,260	(4,599)	0.72
K.S.B. Pumps Company Limited	45,400	44,500	-	-	89,900	16,131	21,904	5,773	0.07
									0.88
Food and Personal Care Products									
Al-Shaheer Corporation Limited (note 11)	-	3,312,000	667,275	-	3,979,275	268,866	207,758	(61,108)	0.68
Engro Foods Limited	5,150,621	2,167,600	-	6,334,300	983,921	151,518	160,704	9,186	0.53
									1.21
Textile Composite									
Kohinoor Textile Mills Limited (note 11)	-	773,000	35,100	-	808,100	60,468	64,672	4,204	0.21
Nishat Mills Limited	7,828,100	963,000	-	7,546,000	1,245,100	136,337	134,349	(1,988)	0.44
									0.65
Total						23,285,459	26,675,399	3,389,940	
Total cost of investments							20,960,846		

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

5.1.3 1,000,000 shares of Engro Corporation Limited having market value of Rs 332.97 million (2015: Rs 279.00 million) have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

5.1.4 Net assets are as defined in regulation 66 of NBFC Regulations, 2008

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

	Note	2016 (Rupees in '000)	2015
Ordinary shares	5.1.5.1	240,374	231,881
Preference shares	5.1.5.2	-	171,947
		240,374	403,828

5.1.5.1 Ordinary shares - listed

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	(Number of shares)					(Rupees in '000)			%
Sectors / Companies									
Banks									
Meezan Bank Limited (an associate of the Fund)	5,650,206	-	-	-	5,650,206	231,659	240,134	8,475	0.79
Paper and Board									
Packages Limited	374	-	-	-	374	222	240	18	-
Grand total						231,881	240,374	8,493	
Total cost of investments								57,329	

5.1.5.2 Preference shares - unlisted

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

5.1.6 Ordinary shares - unlisted

Name of Security	Note	2016	
		Number of Shares	Carrying value (Rupees in '000)
GlaxoSmithKline Consumer Healthcare Pakistan Limited	5.1.7	1,056	65

5.1.7 During the year, GlaxoSmithKline Pakistan Limited (GSK) announced a de-merger scheme whereby 3 ordinary shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited (GSK CHC) were issued for every 10 ordinary shares held in GSK. The net assets of consumer health business on the said date were Rs. 956 million i.e. 7.67% and hence, the carrying cost was allocated by applying the aforementioned percentage among GSK and GSK CHC and market price has been adjusted accordingly. GSK CHC is under the process of obtaining listing on the stock exchange.

5.2 Investments categorised as 'available for sale'

5.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2015	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Impairment	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 certificates) -----				----- (Rupees in '000) -----					----- % -----
Sectors / Companies										
Automobile assembler										
Honda Atlas Cars (Pakistan) Limited	-	233,700	-	-	233,700	80,064	-	83,919	3,855	0.27
Indus Motor Company Limited	53,068	-	-	53,068	-	-	-	-	-	-
Pakistan Suzuki Motor Company Limited	24,105	-	-	23,300	805	59	-	308	249	-
										0.27
Commercial Banks										
Meezan Bank Limited (an associate of the Fund)										
BankIslami Pakistan Limited	124,880	-	-	-	124,880	1,552	-	5,307	3,755	0.02
	875	-	-	-	875	5	-	9	4	-
										0.02
Chemicals										
ICI Pakistan Limited	59,975	-	-	59,900	75	10	-	33	23	-
Cement										
D.G Khan Cement Company Limited	1,312,000	60,900	-	1,312,000	60,900	11,164	-	11,601	437	0.04
Lucky Cement Limited	179,000	275,000	-	175,000	279,000	171,162	-	180,934	9,772	0.59
										0.63
Power Generation and Distribution										
Hub Power Company Limited	15,000,000	-	-	4,622,100	10,377,900	656,997	-	1,245,971	588,974	4.08
Paper and Board										
Packages Limited	2,200,000	-	-	172,150	2,027,850	965,943	-	1,290,159	324,216	4.22
Food and Personal Care Products										
Engro Foods Limited	3,600	-	-	3,600	-	-	-	-	-	-
Oil and gas Marketing Companies										
Pakistan State Oil Company Limited	1,914,500	-	-	425,000	1,489,500	403,815	-	559,248	155,433	1.83
Oil and gas Exploration Companies										
Mari Petroleum Company Limited	-	3,800	-	-	3,800	3,340	-	3,451	111	0.01
Pakistan Oilfields Limited (note 5.2.3)	415,600	-	-	-	415,600	157,662	(46,273)	144,413	33,024	0.47
Pakistan Petroleum Limited	-	-	-	-	-	-	-	-	-	-
										0.48
Refinery										
National Refinery Limited	151	-	-	-	151	28	-	72	44	-
Pharmaceuticals										
The Searle Company Limited	-	187,000	-	-	187,000	100,765	-	100,260	(505)	0.33
Fertilizers										
Engro Corporation Limited	-	5,000	-	-	5,000	1,652	-	1,665	13	0.01
Textile Composite										
Nishat Mills Limited	30,000	100,000	-	26,000	104,000	11,014	-	11,221	207	0.04
Total						2,565,232	(46,273)	3,638,571	1,119,612	
Total cost of investments								2,565,232		

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

	2016 (Rupees in '000)	2015
Market value of investment	3,638,571	4,008,922
Less: Cost of investments	2,565,232	2,878,751
	1,073,339	1,130,171
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year	1,130,171	364,706
	(56,832)	765,465
Impairment loss on listed equity securities classified as 'available for sale' - transferred to income statement	46,273	63,864
	(10,559)	829,329

5.2.3 During the year, an impairment loss amounting to Rs. 46.27 million was recognized on Pakistan Oilfields Limited. There is no further impairment loss recognized as a result of impairment testing as at 30 June 2016.

6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2016 (Rupees in '000)	2015
Deposits		2,620	2,610
Performance rating fee		33	4
Profit receivable on saving accounts with banks		11,021	23,642
		13,674	26,256

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

Management fee	7.1	50,211	46,538
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	231,702	127,055
Sales load		11,064	10,763
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	32,469	20,676
Allocated expense	7.4	2,511	-
Certificate charges		5	5
		327,962	205,037

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 shall be entitled to an accrued remuneration equal to an amount not exceeding two percent of average annual net assets in case of Equity Scheme. The remuneration of the Management Company has been charged at the rate of two 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 July 01, 2011. During the year SST, at the rate of 14 percent (till 30 June 2015: 15 percent) was charged on the remuneration of Management Company and sales load.

7.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company and sales load has been applied effective from June 13, 2013. The Management Company was 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 Fund Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

The SHC while disposing the Constitutional Petition No. D-3184 of 2014 relating to levy of (FED) on Mutual Fund has declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the Management Company is of the view that since the Federal Government still reserve the right to appeal against the said order.

As a matter of abundant caution, the Management Company has made a provision on FED on management fee with effect from 13 June 2013, aggregating to Rs. 219.021 million (2015: Rs. 119.678 million). Had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2016 would have been higher by Rs. 0.44 per unit (2015: Rs. 0.27 per unit).

Furthermore, the mutual funds have been excluded from levy of FED vide Finance Act, 2016, hence, effective from July 01, 2016, no provision of FED has been recognised in the financial statements of the Fund.

- 7.4** During the year, a statutory notification (S.R.O. No. 1160 (I) / 2015 dated 25 November 2015) was issued by Securities and Exchange Commission of Pakistan (SECP), which introduced amendments in NBFC 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. Accordingly, such expenses have been charged effective from December 16, 2015.

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

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

The remuneration of the Trustee for the year ended June 30, 2016 and 2015 has been calculated as per the following applicable tariff:

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

- 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 an equity scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% 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 0.076% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.095%. 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
Workers' Welfare Fund payable	12	184,606	184,606
Charity payable	10.1	26,066	21,314
Withholding tax payable		86,657	4,796
Auditors' remuneration		480	410
Zakat payable		18	105
Printing expenses payable		461	29
Shariah advisory fee		1,500	-
Other payable		21	21
		299,809	211,281

- 10.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 26.066 million (2015: Rs 21.314 million) is outstanding in this regard after making charity payments of Rs 12.05 million (2015: Rs 7.5 million) to renowned charitable institutions. None of the directors of the Management Company were interested in any of donees.

11. CONTINGENCIES AND COMMITMENTS

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

In this regard, a Constitutional Petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was 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, Highnoon Laboratories, Kohinoor Textile Mills 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

The Finance Act, 2008, introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been

filed by certain CISs through their Trustees in the Honourable 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 14 December 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. 184.606 million. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.38 (0.57%).

The Board of Directors of the management Company in its meeting held on 25 October 2013 have resolved that unrecorded accumulated WWF provision in the fund from the date of its application till 31 December 2012, in case is required to be paid, shall be borne by Al Meezan Investment Management Limited (Management Company of the fund). Therefore, the Fund is not exposed to this unrecorded accumulated WWF provision. The unrecorded accumulated provision for WWF upto 31 December 2012 is Rs. 89.304 million.

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015, hence, effectively from July 01, 2015 no provision of WWF has been made in the Fund. The matter regarding previous years would either need to be clarified by Regulatory bodies or Courts.

13. NUMBER OF UNITS IN ISSUE

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

	Note	2016 (Number of units)	2015
Total units in issue at beginning of the year		448,391,488	330,854,335
Units issued during the year		362,746,152	414,254,425
Units for re-investment during the year		31,896,016	-
Units redeemed during the year		(351,371,112)	(296,717,272)
Total units in issue at end of the year		<u>491,662,544</u>	<u>448,391,488</u>

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

14. AUDITORS' REMUNERATION

	2016 (Rupees in '000)	2015
Statutory Audit Fee	405	310
Half yearly review	159	135
Other certifications and services	100	100
Out of pocket expenses	35	2
	699	547

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

Details of transactions with connected persons and balances with them for the year ended June 30, 2016 and as of that date along with comparatives are as follows:

	2016 (Rupees in '000)	2015
Al Meezan Investment Management Limited - Management Company		
Remuneration payable	50,211	46,538
Sindh Sales Tax and Federal Excise Duty on management fee payable	231,702	127,055
Sales load payable	11,064	10,763
Sindh Sales Tax and Federal Excise Duty on sales load payable	32,469	20,676
Allocated Expense	2,511	-
Certificate charges	5	5
Investment of 11,573,066 units (2015: 12,215,197 units)	766,253	746,512

	2016	2015
	(Rupees in '000)	
Meezan Bank Limited		
Bank balance	178,313	451,327
Sales load payable	1,913	1,109
Investment in 13,068,167 shares (2015: 16,055,086 shares)	555,397	658,259
Investment of 15,675,049 units (2015: 15,675,049 units)	1,037,845	957,902
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	2,586	2,409
Sindh Sales Tax on trustee fee payable	363	-
Deposit	100	100
Al Meezan Investment Management Limited - Employees' Gratuity Fund		
Investment in 169,208 units (2015: 120,915 units)	11,203	7,389
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan		
Investment in 4,742,448 units (2015: 3,987,725 units)	313,997	243,690
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan		
Investment in 2,769,750 units (2015: 3,075,363 units)	183,385	187,935
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan		
Investment in 1,113,605 units (2015: 1,465,973 units)	73,732	89,586
Meezan Financial Planning Fund of Funds - MCPP - I		
Investment in 14,680,449 units (2015: 20,807,623 units)	971,993	1,271,554
Meezan Financial Planning Fund of Funds - MCPP - II		
Investment in 15,391,100 units (2015: 25,627,412 units)	1,019,045	1,566,091
Meezan Financial Planning Fund of Funds - MAAP - I		
Investment in 16,178,167 units (2015: nil units)	1,071,156	-
Meezan Financial Planning Fund of Funds - MAAP - II		
Investment in 11,833,268 units (2015: nil units)	783,481	-
Meezan Financial Planning Fund of Funds - MAAP - III		
Investment in 32,276,979 units (2015: nil units)	2,137,059	-
Meezan Financial Planning Fund of Funds - MAAP - IV		
Investment in 5,047,854 units (2015: nil units)	334,218	-
Meezan Capital Preservation Fund-III		
Investment of nil units (2015: 42,727,003 units)	-	2,611,047
Meezan Capital Preservation Fund-II		
Investment in 12,740,732 units (2015: 24,168,267 units)	843,564	1,476,923
Directors and executives of the Management Company		
Investment of 5,173,558 units (2015: 4,815,135 units)	342,541	294,253

For the year ended
June 30,

	2016	2015
	(Rupees in '000)	
Al Meezan Investment Management Limited - Management Company		
Remuneration for the year	558,765	442,878
Sindh Sales Tax and Federal Excise Duty on management fee	180,145	147,921
Allocated Expense	15,183	-
Units Issued: 12,239,623 units (2015: 12,015,108 units)	736,841	671,919
Units Redeemed: 12,917,753 units (2015: nil units)	780,000	-
Dividend Paid	49,702	-
Meezan Bank Limited		
Profit on saving accounts	1,923	7,579
Shares purchased during the year: 528,000 shares (2015: 4,098,000 shares)	22,127	195,039
Shares disposed off during the year: 3,514,919 shares (2015: 4,000 shares)	159,994	220
Units Redeemed: nil (2015: 5,800,000 units)	-	318,791
Dividend Income	42,239	38,124
Dividend Paid	80,726	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee	28,938	23,144
Sindh Sales Tax on trustee fee	4,052	-
CDS charges	1,054	1,274
Al Meezan Investment Management Limited - Employees' Gratuity Fund		
Units Issued: 323,574 units (2015: nil)	18,643	-
Units Redeemed: 274,884 units (2015: nil)	19,000	-
Dividend Paid	744	-
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan		
Units Issued: 1,699,615 units (2015: 1,710,043 units)	106,149	93,989
Units Redeemed: 944,892 units (2015: 2,276,201 units)	59,980	126,002
Transaction Cost received from the Fund	-	221
Dividend Paid	22,027	-
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan		
Units Issued: 1,490,991 units (2015: 2,373,939 units)	93,787	133,293
Units Redeemed: 1,796,604 units (2015: 1,800,180 units)	112,243	102,182
Transaction Cost received from the Fund	-	238
Dividend Paid	15,301	-
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan		
Units Issued: 727,555 units (2015: 1,440,048 units)	45,641	76,710
Units Redeemed: 1,079,922 units (2015: 1,663,589 units)	66,987	93,682
Transaction Cost received from the Fund	-	169
Dividend Paid	6,581	-
Meezan Financial Planning Fund of Funds - MCPP - I		
Units Issued: 13,746,230 units (2015: 37,483,260 units)	852,635	2,080,138
Units Redeemed: 19,873,403 units (2015: 16,675,637 units)	1,183,552	896,500
Transaction Cost received from the Fund	-	3,362
Dividend Paid	87,762	-

	For the year ended June 30,	
	2016	2015
	(Rupees in '000)	
Meezan Financial Planning Fund of Funds - MCPP - II		
Units Issued: 25,323,694 units (2015: 64,850,238 units)	1,575,038	3,815,409
Units Redeemed: 35,560,005 units (2015: 39,222,826 units)	2,087,888	2,201,000
Transaction Cost received from the Fund	-	3,619
Dividend Paid	101,024	-
Meezan Financial Planning Fund of Funds - MAAP - I		
Units Issued: 21,408,494 units (2015: nil units)	1,313,189	-
Units Redeemed: 5,230,327 units (2015: nil units)	324,000	-
Dividend Paid	45,689	-
Meezan Financial Planning Fund of Funds - MAAP - II		
Units Issued: 16,290,892 units (2015: nil units)	979,017	-
Units Redeemed: 4,457,624 units (2015: nil units)	275,000	-
Dividend Paid	33,418	-
Meezan Financial Planning Fund of Funds - MAAP - III		
Units Issued: 39,206,278 units (2015: nil units)	2,398,154	-
Units Redeemed: 6,929,300 units (2015: nil units)	434,000	-
Dividend Paid	91,154	-
Meezan Financial Planning Fund of Funds - MAAP - IV		
Units Issued: 5,047,854 units (2015: nil units)	345,367	-
Dividend Paid	13,189	-
Meezan Capital Preservation Fund-III		
Units Issued: 1,647,259 units (2015: 44,399,782 units)	97,099	2,378,900
Units Redeemed: 44,374,262 units (2015: 45,025,797 units)	2,571,500	2,398,423
Transaction Cost received from the Fund	-	3,132
Dividend Paid	93,999	-
Meezan Capital Preservation Fund-II		
Units Issued: 32,059,791 units (2015: 50,605,521 units)	2,021,170	2,760,675
Units Redeemed: 43,487,325 units (2015: 26,457,109 units)	2,761,830	1,410,380
Transaction Cost received from the Fund	-	4,325
Dividend Paid	53,170	-
Directors and executives of the Management Company		
Units issued: 751,166 units (2015: 3,245,631 units)	55,586	184,726
Units Redeemed: 272,211 units (2015: 2,314,630 units)	16,188	138,575
Dividend Paid	25,288	-

16. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk, interest rate risk and currency risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, 2008 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Risks managed and measured by the Fund are explained below:

16.1 Credit risk

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

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

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

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

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

Financial assets exposed to credit risk	2016	2015
	(Rupees in '000)	
Balances with banks	1,928,938	1,436,341
Investment - Preference Shares	-	171,947
Receivable on issuance and conversion of units	1,309,796	462,040
Receivable against sale of investments	-	268,775
Dividend receivable	48,558	67,461
Deposits and other receivables	13,641	26,252
	3,300,933	2,432,816

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	574,956	29.81	446,846	31.11
AA+	PACRA	206,430	10.70	43,521	3.03
AA	PACRA/ JCR-VIS	185,240	9.60	470,114	32.73
A+	PACRA/ JCR-VIS	226,508	11.74	144	0.01
A	PACRA	735,804	38.15	475,716	33.12
		1,928,938	100.00	1,436,341	100.00

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

None of the financial assets were considered to be past due or impaired as on June 30, 2016.

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.

16.2 Liquidity risk

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

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

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

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

In addition to Unitholders' Fund, analysis of the 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 - Management Company	327,962	-	-	-	327,962
Payable to Central Depository Company of Pakistan Limited - Trustee	2,949	-	-	-	2,949
Payable to Meezan Bank Limited	1,913	-	-	-	1,913
Payable on redemption and conversion of units	111,869	-	-	-	111,869
Payable against purchase of investments (net)	529,926	-	-	-	529,926
Accrued expenses and other liabilities	28,528	-	-	-	28,528
	1,003,147	-	-	-	1,003,147

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

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

16.3 Market risk

16.3.1 Price risk

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unit holders from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the Securities and Exchange Commission of Pakistan. Further, it is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008. The Fund's overall market positions are monitored on a quarterly basis by the Board of Directors of the Management Company.

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these financial statements. As at June 30, 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). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / (decrease) by Rs 305.54 million (2015: Rs 268.11 million) if the prices of equity vary due to increase / (decrease) in KMI 30 by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 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.

16.3.2 Interest rate risk

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

Cash flow interest rate risk

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

At June 30, 2016, if there has been an increase / (decrease) of 100 basis points in interest rates, with all other variables held constant, the net assets of the Fund for the year then ended would have been higher / (lower) by Rs 19.16 million (2015: Rs 15.675 million) mainly as a result of finance income.

Fair value interest rate risk

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

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)						
On-balance sheet financial instruments						
<i>Financial assets</i>						
Balances with banks	2.50% to 6.10%	1,915,772	-	-	13,166	1,928,938
Investments - ordinary shares		-	-	-	30,554,409	30,554,409
Investments - preference shares		-	-	-	-	-
Receivable on issuance and conversion of units		-	-	-	1,309,796	1,309,796
Receivable against sale of investments (net)		-	-	-	-	-
Dividend receivable		-	-	-	48,558	48,558
Deposits and other receivables		-	-	-	13,641	13,641
		1,915,772	-	-	31,939,570	33,855,342
<i>Financial liabilities</i>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	327,962	327,962
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,949	2,949
Payable to Meezan Bank Limited		-	-	-	1,913	1,913
Payable on redemption and conversion of units		-	-	-	111,869	111,869
Payable against purchase of investments (net)		-	-	-	529,926	529,926
Accrued expenses and other liabilities		-	-	-	28,528	28,528
		-	-	-	1,003,147	1,003,147
On-balance sheet gap		1,915,772	-	-	30,936,423	32,852,195
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		1,915,772	-	-	-	-
Cumulative interest rate sensitivity gap		1,915,772	1,915,772	1,915,772	-	-

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)						
On-balance sheet financial instruments						
<i>Financial assets</i>						
Balances with banks	3.79% to 7.30%	1,395,528	-	-	40,813	1,436,341
Investments - ordinary shares		-	-	-	26,810,909	26,810,909
Investments - preference shares	Kibor +3 percent	171,947	-	-	-	171,947
Receivable on issuance and conversion of units		-	-	-	462,040	462,040
Receivable against sale of investments (net)		-	-	-	268,775	268,775
Dividend receivable		-	-	-	67,461	67,461
Deposits and other receivables		-	-	-	26,252	26,252
		1,567,475	-	-	27,676,250	29,243,725
<i>Financial liabilities</i>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	205,037	205,037
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,409	2,409
Payable to Meezan Bank Limited		-	-	-	1,109	1,109
Payable on redemption and conversion of units		-	-	-	1,400,139	1,400,139
Payable against purchase of investments (net)		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	21,774	21,774
		-	-	-	1,630,468	1,630,468
On-balance sheet gap		1,567,475	-	-	26,045,782	27,613,257
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		1,567,475	-	-	-	-
Cumulative interest rate sensitivity gap		1,567,475	1,567,475	1,567,475	-	-

16.3.3 Currency risk

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

17. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

The Fund meets the requirements of sub-regulation 54(3a) of NBFC Regulation, 2008 which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

In accordance with the risk management policies stated in the note 16, 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.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

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

Note	Carrying amount					Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total
June 30, 2016									
Financial assets - measured at fair value									
Investments	30,554,409	-	-	-	30,554,409	30,554,344	65	-	30,554,409
	30,554,409	-	-	-	30,554,409	30,554,344	65	-	30,554,409
Financial assets - not measured at fair value									
Balances with banks	18.1	-	1,928,938	-	1,928,938	-	-	-	-
Receivable on issuance and conversion of units	18.1	1,309,796	-	-	1,309,796	-	-	-	-
Receivable against sale of investments (net)	18.1	-	-	-	-	-	-	-	-
Dividend receivable	18.1	48,558	-	-	48,558	-	-	-	-
Deposits and other receivables	18.1	13,641	-	-	13,641	-	-	-	-
		1,371,995	1,928,938	-	3,300,933	-	-	-	-
Grand Total		30,554,409	1,371,995	1,928,938	-	33,855,342	30,554,344	65	-
Financial liabilities - not measured at fair value									
Payable to Al Meezan Investment Management Limited - Management Company	18.1	-	-	327,962	327,962	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	18.1	-	-	2,949	2,949	-	-	-	-
Payable to Meezan Bank Limited	18.1	-	-	1,913	1,913	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan	18.1	-	-	-	-	-	-	-	-
Payable on redemption and conversion of units	18.1	-	-	111,869	111,869	-	-	-	-
Payable against purchase of investments (net)	18.1	-	-	529,926	529,926	-	-	-	-
Accrued expenses and other liabilities	18.1	-	-	28,528	28,528	-	-	-	-
Total		-	-	1,003,147	1,003,147	-	-	-	-

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

19. TAXATION

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

20. PERFORMANCE TABLE

	2016	2015	2014	2013
Net assets (Rs. '000) (ex-distribution)	32,554,406	26,416,256	16,621,765	9,474,454
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	66.21	58.91	50.24	44.92
Offer price per unit as at June 30, (Rs.) (ex-distribution)	67.96	60.48	51.72	46.26
Highest offer price per unit (Rs.)	72.03	63.92	59.29	66.85
Lowest offer price per unit (Rs.)	56.94	48.78	45.76	43.73
Highest redemption price per unit (Rs.)	70.17	62.26	57.60	65.32
Lowest redemption price per unit (Rs.)	55.47	47.40	44.45	42.75
Distribution (%)	-	-	15.30	35.00
Interim	5.90			
Final	4.40			
Date of distribution	-	-	May 30, 2014	July 8, 2013
Interim	June 23, 2016			
Final	July 3, 2015			
Income distribution (Rupees in '000)		-	1,293	1,859
Growth distribution (Rupees in '000)	2,277,467	-	2,068,741	2,655,025
Total return (%)	17.40	21.64	28.87	50.74
Average annual return as at June 30, 2016	One Year 17.40%	Two Year 19.50%	Three Year 22.55%	Four Year 29.06%

Investment portfolio composition of the Fund

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 16.

21. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty 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

21.2 The Fund manager of the Fund is Mr. Muhammad Asad.

22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 3, 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
Mr. 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

23. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

2016

Broker's Name

1. Arif Habib Limited.	11%
2. JS Global Capital Limited.	10%
3. Shajar Capital Pakistan (Private) Limited	9%
4. Fortune Securities Limited	9%
5. Top Line Securities (Private) Limited	8%
6. Foundation Securities (Private) Limited	7%
7. Optimus Capital Management (Private) Limited	7%
8. BMA Capital Management Limited	6%
9. Next Capital Limited	5%
10. AKD Securities Limited.	5%

Broker's Name

	2015
1. JS Global Capital Limited	15%
2. Shajar Capital Pakistan (Private) Limited	13%
3. Fortune Securities Limited	11%
4. AKD Securities Limited	9%
5. Optimus Capital Management (Private) Limited	8%
6. Elixir Securities Pakistan (Private) Limited	7%
7. KASB Securities Limited	7%
8. Foundation Securities (Private) Limited	5%
9. BMA Capital Management Limited	5%
10. Arif Habib Securities Limited	4%

24. PATTERN OF UNIT HOLDING

As at June 30, 2016

	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	13,291	15,241,482	46.82
Associated companies / directors	17	9,872,388	30.33
Insurance companies	12	1,976,770	6.07
Banks / DFIs	1	23	-
Retirement funds	115	4,029,806	12.38
Others	96	1,433,937	4.40
Total	13,532	32,554,406	100.00


As at June 30, 2015

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

25. 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	%
Associated Companies		
Al Meezan Investment Management Limited	11,573,066	2.35
Meezan Bank Limited	15,675,049	3.19
Al Meezan Investment Management Limited - Employees Gratuity Fund	169,208	0.03
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan	4,742,448	0.96
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan	2,769,750	0.56
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan	1,113,605	0.23
Meezan Financial Planning Fund of Funds - Capital Preservation Plan I	14,680,449	2.99
Meezan Financial Planning Fund of Funds - Capital Preservation Plan II	15,391,100	3.13
Meezan Financial Planning Fund of Funds - MAAP - I	16,178,167	3.29
Meezan Financial Planning Fund of Funds - MAAP - II	11,833,268	2.41
Meezan Financial Planning Fund of Funds - MAAP - III	32,276,979	6.56
Meezan Financial Planning Fund of Funds - MAAP - IV	5,047,854	1.03
Meezan Capital Preservation Fund-II	12,740,732	2.59
Directors		
Mr. Ariful Islam	382,136	0.08
Syed Amir Ali	1,073	0.00
Mr. Mazhar Sharif	8	0.00
Chief Executive		
Mr. Mohammad Shoaib, CFA	4,525,758	0.92
Executives	264,583	0.05
Banks and financial institutions	347	0.00
Individuals	229,924,414	46.76
Retirement Funds	60,861,337	12.38
Other Corporate Sector Entities	18,144,443	3.69
Insurance Companies	29,854,755	6.07
Non-Profit Organisations	3,512,015	0.71
Total	491,662,544	100





Al Meezan Mutual Fund

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

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Abdullah Ahmed Muhammad	Non-Executive	
Syed Amir Ali	Non-Executive	
Mr. Atif Azim	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Moin M. Fudda	Independent	
Mr. Mazhar Sharif	Non-Executive	
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 Alfalah Limited - Islamic Banking	Meezan Bank Limited
Bank Islami Pakistan Limited	National Bank of Pakistan - Islamic Banking
Burj Bank Limited	UBL Ameen - Islamic Banking
Dubai Islamic Bank	

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2016

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

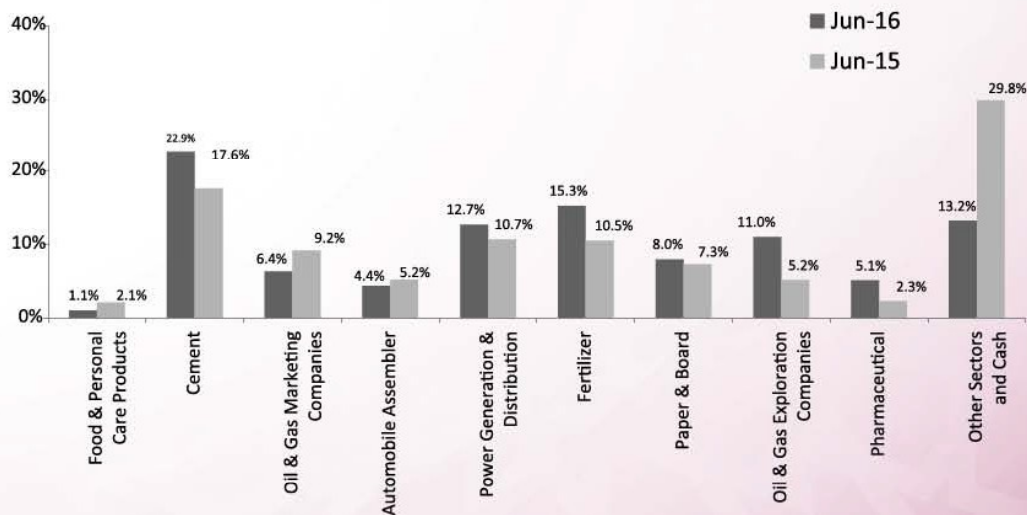
The objective of AMMF is to provide maximum total return to the shareholders from investment in "Shariah compliant" equity investments for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

Strategy, Investment Policy and Asset Allocation

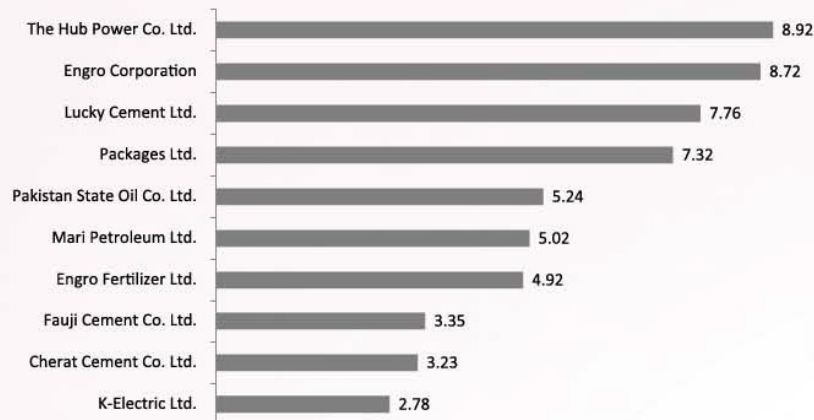
The performance of AMMF is directly linked to the performance of the equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced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

AMMF started the year with 89% investment in equities, touched a maximum of 100% and minimum of 88% during the fiscal year, on average remained 96% invested and closed the year at 97% invested percentage. Although allocation remained diversified across sectors, major holdings remained in the Cement and Fertilizer sectors. However, exposure in Food & Personal Care, Oil and Automobile sectors was reduced due to weak outlook.

Sector Allocation for the year ended FY15 and FY16



Top Equity Holdings (%)

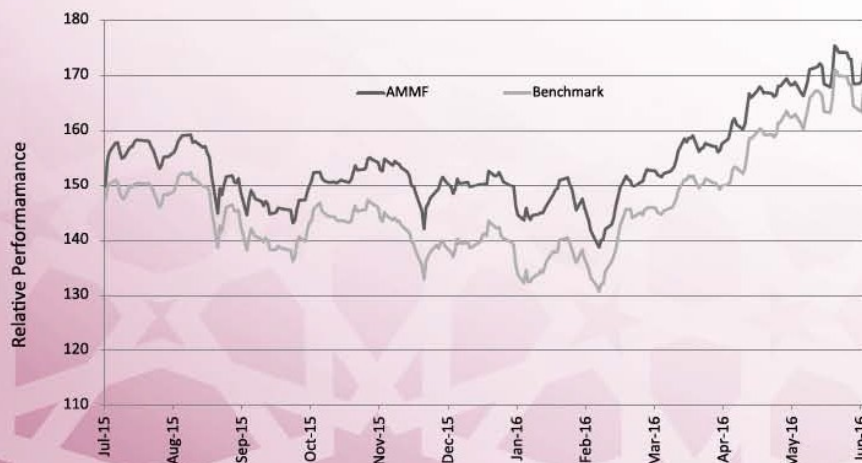


Performance Review

During FY16, Al Meezan Mutual Fund (AMMF) provided a return of 15.53% to its investors while the KSE Meezan Index (KMI 30) also appreciated by 15.53% to close at 66,163 pts.

The Fund earned a gross income of Rs. 866 million in the fiscal year 2016 as compared to Rs. 611 million last year. Total income comprised of realized and unrealized capital gains on investments of Rs.153 million and Rs. 495 million respectively. Dividend income contributed Rs. 207 million to the income, while profit on saving accounts with banks amounted to Rs. 11 million. After accounting for expenses of Rs. 143 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 18 million, the Fund posted a net income of Rs. 741 million. The net assets of the Fund as at June 30, 2016 were Rs. 5,418 million as compared to Rs. 4,007 million last year depicting a rise of 35.23%. The net asset value per unit as at June 30, 2016 was Rs. 17.99 as compared to Rs. 16.28 per unit as on June 30, 2015.

	AMMF (NAV)	KMI-30 (Index Points)
Net Asset Value (NAV) as on June 30, 2015- Rs.	16.28	57,271
Net Asset Value (NAV) as on June 30, 2016- Rs.	17.99	66,163
Return During the Period (Dividend adjusted)	15.53%	15.53%



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. 2.32 million was accrued as charity payable.

Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2016 was Rs. 0.82 per unit (8.20%). Total distribution made by the fund was Rs. 235.50 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:

Proxy Resolution	Election of Directors for Kohat Cement Company Limited
Fund	AL MEEZAN MUTUAL FUND
Shares Held	465,400
Date of Proxy	27th June 2016 (Monday)
Result of Proxy Vote	The Investment Committee of Al Meezan Investments Management Limited has decided to execute the proxy form in favour of the following participants: Mr. Aizaz Sheikh (Chief Executive, Director, Kohat Cement Company Ltd) Mr. Rahman Sheikh s/o Aizaz Sheikh (Director, Kohat Cement Company Ltd)

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	1,733
10,000 - 49,999	817
50,000 - 99,999	265
100,000 - 499,999	212
500,000 and above	59
Total	3,086



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor – Al Meezan Mutual 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 AMMF in light of *Shari'ah* requirements. Following is the list of the top investments of AMMF 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)
Engro Corporation Ltd	Fertilizer	28%	7%	1.05%	79%	-131.58	333.55
Hub Power Co Ltd	Power Generation and Distribution	29%	0%	0.15%	43%	-25	120.43
Lucky Cement	Cement	10%	3%	1.85%	73%	-30.12	649.4
Pakistan State Oil Ltd***	Oil and Gas Marketing Companies	0%	0%	1.50%	74%	-40.376	376.63
Fauji Cement Co. Ltd	Cement	20%	5%	0.97%	85%	-5.49	35.86
Packages Ltd	Paper and Board	10%	6%	0.20%	91%	-95.02	635.88

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Meezan Bank Ltd.

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	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Mari Petroleum Ltd	Oil & Gas Exploration Companies	21%	0%	0.45%	44%	-110.95	913.5
Engro Fertilizer Ltd	Fertilizer	28%	11%	1.23%	83%	-34.58	64.62
K-Electric Ltd	Power Generation and Distribution	10%	0%	1.19%	63%	-7.65	8.10
Cherat Cement Ltd	Cement	3%	0%	0.46%	95%	-22.72	120.88

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

** All interest based debts.

*** On Watch List due to impact of circular debt on receivables.

- ii. On the basis of information provided by the management, all operations of AMMF 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 AMMF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

During the year a provision of Rupees 2.30 million was created and an amount of Rupees 3.7 million was disbursed as charity. The amount of Rupees 3.28 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 Shahra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

AL MEEZAN MUTUAL FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Al Meezan Mutual Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 Shoab, 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 NBFI 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 Shoib, CFA
Chief Executive
Dated: August 31, 2016
Karachi.



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

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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Al Meezan Investment Management Limited (“Management Company”) of the Fund for the year ended 30 June 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.
Chartered Accountants

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



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

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Independent Auditors' Report to the Unitholders

Report on the Financial Statements

We have audited the accompanying financial statements of **Al Meezan Mutual Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 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.



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 2016

Karachi

KPMG Taseer Hadi & Co.

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

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Assets			
Balances with banks	4	218,236	565,374
Investments	5	5,264,025	3,547,041
Receivable against sale of investments (net)		-	30,896
Receivable on issuance and conversion of units		55,252	802,517
Dividend receivable		25,608	4,586
Deposits, prepayments and other receivables	6	5,485	6,439
Total assets		5,568,606	4,956,853
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	50,502	30,084
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	613	381
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	4,245	3,114
Payable to Meezan Bank Limited (MBL)		866	86
Payable on redemption and conversion of units		15,929	841,987
Accrued expenses and other liabilities	10	61,767	51,540
Payable against purchase of investments (net)		11,515	-
Dividend payable		4,772	22,750
Total liabilities		150,209	949,942
Net assets		5,418,397	4,006,911
Contingencies and commitments	12		
Unitholders' fund (as per statement attached)		5,418,397	4,006,911
(Number of units)			
Number of units in issue	13	301,149,646	246,069,711
(Rupees)			
Net assets value per unit		17.99	16.28

The annexed notes 1 to 25 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
Income			
Net realised gain on sale of investments		153,364	50,822
Dividend income		207,033	153,253
Profit on saving accounts with banks		10,773	9,237
Back end load		17	3
Other income		15	2,449
		371,202	215,764
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.1.1	494,807	395,282
Total income		866,009	611,046
Expenses			
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7.1	89,026	65,601
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	28,646	21,902
Allocated expenses	7.4	2,554	-
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	5,452	4,280
Sindh Sales Tax on trustee fee	8.1	785	-
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	4,245	3,114
Auditors' remuneration	14	753	674
Fees and subscription		399	79
Legal and professional charges		669	-
Charity expense	10.1	2,317	2,420
Brokerage expense		6,706	3,643
Bank and settlement charges		1,656	1,364
Provision for Workers' Welfare Fund (WWF)	11	-	11,464
Total expenses		143,208	114,541
Net income from operating activities		722,801	496,505
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		18,066	65,232
Net income for the year before taxation		740,867	561,737
Taxation	19	-	-
Net income for the year after taxation		740,867	561,737
Other comprehensive income for the year			
Items that can be reclassified to income statements in subsequent periods			
Unrealised appreciation on re-measurement of investments classified as 'available for sale' (net)	5.2.2	11,346	135,161
Total comprehensive income for the year		752,213	696,898

The annexed notes 1 to 25 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

	2016 (Rupees in '000)	2015
Undistributed income brought forward		
- Realised	495,043	240,888
- Unrealised	395,282	198,627
	890,325	439,515
Less: Interim distribution on June 24, 2016 for the year ended June 30, 2016 - cash dividend @ 8.2% (Re. 0.82 per unit)	(235,503)	-
Less: Interim distribution on June 26, 2015 for the year ended June 30, 2015 - cash dividend @ 6.8% (Re. 0.68 per unit)	-	(142,033)
Net income for the year	740,867	561,737
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)	(1,925)	31,106
Undistributed income carried forward	1,393,764	890,325
Undistributed income carried forward		
- Realised	898,957	495,043
- Unrealised	494,807	395,282
	1,393,764	890,325

The annexed notes 1 to 25 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

	2016 (Rupees in '000)	2015
Net assets at beginning of the year	4,006,911	2,847,050
Issuance of 146,524,429 units (June 30, 2015: 177,436,638 units)	2,469,323	2,807,107
Issuance of 10,676,535 Units for re - investment of cash dividend (June 30, 2015: nil)	208,579	-
Redemption of 102,121,029 units (June 30, 2015 : 136,144,213 units)	(1,765,060)	(2,136,879)
	912,842	670,228
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(18,066)	(65,232)
Net realised gain on sale of investments	153,364	50,822
Unrealised appreciation in value of investments (net)	506,153	530,443
Other net income for the year	92,696	115,633
Total comprehensive income for the year	752,213	696,898
Interim distribution on June 24, 2016 for the year ended June 30, 2016 - cash dividend @ 8.2% (Re. 0.82 per unit)	(235,503)	-
Interim distribution on June 26, 2015 for the year ended June 30, 2015 - cash dividend @ 6.8% (Re. 0.68 per unit)	-	(142,033)
Total distribution	(235,503)	(142,033)
Net income for the year less distribution	516,710	554,865
Net assets at end of the year	<u>5,418,397</u>	<u>4,006,911</u>
	(Rupees)	
Net assets value per unit at beginning of the year	<u>16.28</u>	<u>13.90</u>
Net assets value per unit at end of the year	<u>17.99</u>	<u>16.28</u>

The annexed notes 1 to 25 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
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	740,867	561,737
Adjustments for:		
Unrealised appreciation on re-measurement of investments at 'fair value through profit or loss' (net)	(494,807)	(395,282)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(18,066)	(65,232)
	227,994	101,223
(Increase) / decrease in assets		
Investments (net)	(1,210,831)	(223,770)
Receivable against sale of investments (net)	30,896	46,950
Dividend receivable	(21,022)	(2,071)
Deposits, prepayments and other receivables	954	(364)
	(1,200,003)	(179,255)
Increase / (Decrease) in liabilities		
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	20,418	15,745
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	232	71
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,131	768
Payable to Meezan Bank Limited (MBL)	780	86
Accrued expenses and other liabilities	10,227	23,136
Payable against purchase of investments (net)	11,515	(41,724)
	44,303	(1,918)
Net cash used in operating activities	(927,706)	(79,950)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issuance and conversion of units	3,425,167	2,004,590
Payment against redemption and conversion of units	(2,591,118)	(1,319,548)
Dividend paid	(253,481)	(124,107)
Net cash generated from financing activities	580,568	560,935
Net (decrease) / increase in cash and cash equivalents during the year	(347,138)	480,985
Cash and cash equivalents at beginning of the year	565,374	84,389
Cash and cash equivalents at end of the year	218,236	565,374

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The annexed notes 1 to 25 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Al Meezan Mutual Fund (the Fund) was constituted by virtue of a scheme of arrangement for conversion of Al Meezan Mutual Fund Limited (AMMFL) into an Open End Scheme under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 17, 2011 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. The objective of the Fund is to provide the maximum total return to the unitholders from investment in "Shariah Compliant" equity investments for the given level of risk, while abiding by the regulations and any other prevailing rules and regulations. At least seventy percent of its net assets shall remain invested in listed equity securities during the year based on quarterly average investment calculated on daily basis. The remaining net assets shall be invested in cash and near cash instruments. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Units of the Fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The fund is categorized as an Equity Scheme.
- 1.4** The Management Company of the Fund has been given quality rating of AM2++ by JCR-VIS Credit Rating Company Limited.
- 1.5** Title of the assets of the Fund is held in the name of CDC as a Trustee of the Fund.

2. BASIS OF PRESENTATION

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (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 the basis of historical cost convention except that 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 judgements

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

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Impairment of financial instruments (note 3.1.6);
- c) Recognition of provision for Workers' Welfare Fund (note 11); and
- d) Taxation (note 3.4 and 19)

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 18 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.

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 these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

3.1 Financial instruments

3.1.1 Classification

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

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

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

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

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

(b) Loans and receivables

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

(c) Available for sale

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

3.1.2 Regular way contracts

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

3.1.3 Recognition

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

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

3.1.4 Measurement

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

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

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

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

3.1.5 Fair value measurement principles and provisions

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

3.1.6 Impairment

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

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

3.1.7 Derecognition

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

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

3.1.8 Offsetting of financial instruments

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

3.2 Provisions

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

3.3 Net assets value per unit

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

3.4 Taxation

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

Current

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

Deferred

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

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

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

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

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

3.5 Revenue recognition

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

3.6 Expenses

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

3.7 Earnings per unit

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

3.8 Cash and cash equivalents

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

3.9 Unitholders' Fund

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

3.10 Issuance and redemption of units

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

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

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

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

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

3.12 Distribution

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

4. BALANCES WITH BANKS

	Note	2016 (Rupees in '000)	2015
On current accounts		11,992	11,774
On saving accounts	4.1	206,244	553,600
		<u>218,236</u>	<u>565,374</u>

4.1 The balance in saving accounts have an expected profit ranging from 2.50% to 6.20% (2015: 3.79% to 7.3%) per annum.

	Note	2016 (Rupees in '000)	2015
5. INVESTMENTS			
Investments at 'fair value through profit or loss'	5.1	4,316,510	2,476,199
Investment - 'available for sale'	5.2	947,515	1,070,842
		<u>5,264,025</u>	<u>3,547,041</u>
5.1 Investments at 'fair value through profit or loss'			
Ordinary shares - held for trading	5.1.1	4,316,510	2,460,878
Preference shares - fair value through profit or loss upon initial recognition	5.1.2	-	15,321
		<u>4,316,510</u>	<u>2,476,199</u>

5.1.1 Ordinary shares - held for trading

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)				%
Sector / Companies									
Commercial Banks									
Meezan Bank Limited (an associate of the Fund)	419	-	-	419	-	-	-	-	-
Cement									
Attock Cement Pakistan Limited	176,121	-	-	166,400	9,721	1,853	2,320	467	0.04
DG Khan Cement Company Limited	4,305	882,100	-	200,000	686,405	110,580	130,753	20,173	2.48
Fauji Cement Company Limited	5,983,000	860,000	-	1,587,000	5,256,000	184,469	188,165	3,696	3.57
Kohat Cement Company Limited	341,000	194,400	-	70,000	465,400	98,355	121,898	23,543	2.32
Cherat Cement Company Limited	661,440	854,500	-	-	1,515,940	139,030	181,261	42,231	3.44
Lucky Cement Company Limited	8,390	278,000	-	80,000	206,390	118,676	133,846	15,170	2.54
Maple Leaf Cement Company Limited	475,000	1,572,500	-	1,130,000	917,500	72,640	96,805	24,165	1.84
Pakcem Limited (formerly Lafarge Pakistan)	-	500,000	-	114,000	386,000	8,087	6,817	(1,270)	0.13
Pioneer Cement Limited	532,000	566,500	-	-	1,098,500	96,662	117,979	21,317	2.24
									18.60
Oil and Gas Exploration Companies									
Pakistan Oilfields Limited	164,151	248,600	-	45,000	367,751	119,568	127,786	8,218	2.43
Oil & Gas Development Company Limited.	-	700,000	-	50,000	650,000	85,582	89,746	4,164	1.70
Pakistan Petroleum Limited	377,121	1,262,300	-	947,188	692,233	89,877	107,331	17,454	2.04
Mari Petroleum Company Limited	149,700	185,600	-	25,000	310,300	178,165	281,821	103,656	5.35
									11.52
Oil & Gas Marketing Companies									
Attock Petroleum Limited	61,500	-	-	-	61,500	34,884	26,909	(7,975)	0.51
Pakistan State Oil Company Limited	483,120	174,800	-	246,000	411,920	152,006	154,659	2,653	2.94
Sui Northern Gas Pipeline Limited	850,000	955,000	-	1,805,000	-	-	-	-	-
Hascol Petroleum Limited (note 12.1)	227,550	451,000	88,710	583,400	183,860	20,778	35,921	15,143	0.68
									4.13
Engineering									
Crescent Steel & Allied Product Limited	-	491,100	-	50,000	441,100	49,840	50,554	714	0.96
Amreli Steels Limited	-	619,500	-	-	619,500	33,119	29,129	(3,990)	0.55
K.S.B. PUMPS Company Limited	-	65,400	-	-	65,400	16,504	15,935	(569)	0.30
									1.81
Automobile Assembler									
Indus Motor Company Limited	87,264	18,100	-	24,550	80,814	98,330	75,928	(22,402)	1.44
Honda Atlas Cars Pakistan Limited	267,500	70,000	-	100,000	237,500	54,448	85,284	30,836	1.62
Millat Tractors Limited	16,500	50,000	-	5,750	60,750	37,744	34,643	(3,101)	0.66
Pak Suzuki Motor Company Limited	83,689	-	-	80,700	2,989	1,303	1,142	(161)	0.02
									3.74
Automobile Parts and Accessories									
Agriaautos Industries Limited (note 5.1.1.1)	6,460	-	-	6,440	20	4	4	-	-
Thal Limited (note 5.1.1.1)	55,613	62,000	-	-	117,613	31,746	33,287	1,541	0.63
									0.63
Technology and Communication									
Pakistan Telecommunication Company Limited "A"	1,581,670	1,331,000	-	2,893,000	19,670	344	296	(48)	0.01
Chemicals									
Sitara Chemical Industries Limited	500	106,500	-	-	107,000	38,168	38,948	780	0.74
ICI Pakistan Limited	50,022	-	-	-	50,022	21,453	22,261	808	0.42
Dynea Pakistan Limited	-	1,000	-	-	1,000	50	46	(4)	-
Ghani Gases Limited	-	336,000	-	71,500	264,500	6,085	5,182	(903)	0.10
									1.26
Fertilizer									
Fauji Fertilizer Company Limited	82,401	600,000	-	682,200	201	26	23	(3)	-
Engro Fertilizers Limited	805,000	4,506,000	-	1,029,000	4,282,000	280,149	276,103	(4,046)	5.25
Engro Corporation Limited (note 5.1.1.2)	1,219,500	584,900	-	335,000	1,469,400	438,463	489,265	50,802	9.29
Fatima Fertilizer Company Limited	686,000	600,000	-	1,286,000	-	-	-	-	-
Dawood Hercules Corporation Limited	-	605,200	-	-	605,200	70,400	90,096	19,696	1.71
									16.25
Paper and Board									
Packages Limited	152,700	140,000	-	10,000	282,700	166,019	179,859	13,840	3.42
Cherat Packaging Limited	-	108,900	-	-	108,900	33,202	37,219	4,017	0.71
									4.13
Household goods									
Tariq Glass Industries Limited	-	50,000	-	50,000	-	-	-	-	-

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)			%	
Food and personal care products									
Engro Foods Limited	632,000	473,000	-	981,000	124,000	19,265	20,253	988	0.38
Al-Shaheer Corporation Limited (note 12.1)	-	647,000	144,200	50,000	741,200	50,656	38,698	(11,958)	0.74
									1.12
Power Generation and Distribution									
Hub Power Company Limited	1,739,500	1,510,000	-	792,500	2,457,000	260,912	294,987	34,075	5.60
Kot Addu Power Company Limited	-	654,500	-	313,000	341,500	26,812	30,479	3,667	0.58
Pakgen Power Limited	130,000	203,500	-	333,500	-	-	-	-	-
Kohinoor Energy Limited	144,000	-	-	39,500	104,500	5,277	4,305	(972)	0.08
Lalpir Power Limited	1,037,000	300,000	-	344,000	993,000	30,177	21,548	(8,629)	0.41
K-Electric Limited (note 5.1.1.1)	3,995,000	18,225,000	-	2,866,000	19,354,000	150,695	155,993	5,298	2.96
									9.63
Cable and Electrical Goods									
Pak Elektron Limited	1,575,000	2,202,500	-	2,261,500	1,516,000	99,582	98,009	(1,573)	1.86
Pharmaceuticals									
Abbott Laboratories Pakistan Limited	51,200	92,000	-	-	143,200	93,885	107,973	14,088	2.05
The Searle Company Limited (note 12.1)	163,800	113,480	56,404	142,500	191,184	55,397	102,504	47,107	1.95
Ferozsons Laboratories Limited	25,150	32,350	-	8,100	49,400	41,354	50,928	9,574	0.97
Highnoon Laboratories Limited (note 12.1)	-	79,400	5,292	45,300	39,392	11,776	22,707	10,931	0.43
									5.40
Textile Composite									
Kohinoor Textile Mills Limited	-	60,000	-	-	60,000	4,800	4,802	2	0.09
Nishat Mills Limited	876,800	150,000	-	1,014,500	12,300	1,323	1,327	4	0.03
									0.12
Refinery									
Attock Refinery Limited	40,000	616,800	-	475,000	181,800	40,470	50,929	10,459	0.97
National Refinery Limited	1,800	175,000	-	176,800	-	-	-	-	-
									0.97
Miscellaneous									
Shifa International Hospital Limited	38,600	116,890	-	16,000	139,490	40,713	41,847	1,134	0.79
Total						3,821,703	4,316,510	494,807	
Total cost of investments - 'held for trading'							3,442,141		

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

5.1.1.2 150,000 shares (2015: 150,000 shares) of Engro Corporation Limited, having market value of Rs 49.95 million (2015: Rs 44.52 million) as at June 30, 2016, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

5.1.2 Preference shares - fair value through profit or loss upon initial recognition

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

5.2 Available for sale - Shares of listed companies

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----
Sector / Companies									
Commercial Banks									
Bank Islami Pakistan Limited	875	-	-	-	875	6	9	3	-
Cement									
Lucky Cement Company Limited	620,127	-	-	155,100	465,027	162,848	301,575	138,727	5.73
D.G. Khan Cement Company Limited	111,000	-	-	107,500	3,500	289	667	378	0.01
									5.74
Power Generation and Distribution									
The Hub Power Company Limited	2,580,500	-	-	1,134,900	1,445,600	88,457	173,559	85,102	3.30
Oil and gas Exploration Companies									
Pakistan Oilfields Limited	31,340	-	-	-	31,340	8,089	10,890	2,801	0.21
Pakistan Petroleum Limited	43,112	-	-	43,112	-	-	-	-	-
									0.21
Oil and Gas Marketing Companies									
Attock Petroleum Limited	240	-	-	-	240	83	105	22	-
Pakistan State Oil Company Limited	371,147	-	-	-	371,147	101,077	139,350	38,273	2.65
									2.65
Automobile Assembler									
Honda Atlas Cars Pakistan Limited	-	96,000	-	-	96,000	32,982	34,472	1,490	0.65
Indus Motor Company Limited	16,200	-	-	-	16,200	3,961	15,221	11,260	0.29
									0.94
Automobile Parts and Accessories									
Agriaautos Industries Limited (note 5.2.1)	158,000	96,900	-	254,900	-	-	-	-	-
Fertilizer									
Fauji Fertilizer Company Limited	5,457	-	-	5,000	457	36	52	16	-
Fauji Fertilizer Bin Qasim Limited	1,685	-	-	1,685	-	-	-	-	-
									-
Chemical									
ICI Pakistan Limited	91,557	-	-	-	91,557	34,618	40,745	6,127	0.77
Paper and Board									
Packages Limited	401,378	-	-	38,500	362,878	186,266	230,870	44,604	4.39
Total						618,712	947,515	328,803	
Total cost of investments - 'available for sale'							618,712		

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

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

Note	2016 (Rupees in '000)	2015
Market value of investments	947,515	1,070,842
Less: Cost of investments	618,712	753,385
	328,803	317,457
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year	317,457	182,296
	11,346	135,161

6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2016 (Rupees in '000)	2015
Security deposits		2,738	2,738
Profit receivable on saving accounts with banks		2,747	3,618
Prepaid rating fee		-	83
		5,485	6,439

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

Management fee	7.1	8,744	5,981
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	37,212	20,702
Sales load		292	1,213
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	3,813	2,188
Allocated expense	7.4	441	-
		50,502	30,084

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 Equity Scheme. The remuneration of the Management Company has been charged at the rate of two percent per annum for the year ended 30 June 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 July 1, 2011. During the year SST at the rate of 14 percent (till 30 June 2015: 15 percent) was charged on the remuneration of Management Company and sales load.

7.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company and sales load has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on 4 September 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 with effect from June 13, 2013, aggregating to Rs. 34.25 million (June 2015 : 18.61 million) had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2016 would have been higher by Rs. 0.11 per unit (June 30, 2015: Rs. 0.08 per unit).

- 7.4** During the current year, a statutory notification (S.R.O. No. 1160 (I)/2015 dated November 25, 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. Accordingly, such expenses have been charged effective from December 16, 2015.

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

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

The remuneration of the Trustee for the year ended June 30, 2016 and 2015 has been calculated as per the following applicable tariff:

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

- 8.1** In the current year, a notification (SRB-3-4/TP/01/2015/86554 dated June 13, 2015) was issued by Sindh Revenue Board (SRB), which introduced amendments in Sindh Sales Tax on Services Act, 2011. These amendments are applicable from July 01, 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 an equity scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% 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 0.076% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.095%. 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
Auditors' remuneration		580	585
Withholding tax payable		19,635	9,920
Charity payable	10.1	3,285	4,668
Zakat payable		2	349
Printing charges payable		285	500
Brokerage payable		2,883	690
Shariah advisor fee payable		269	-
Workers' Welfare Fund payable (WWF)	11	34,828	34,828
		61,767	51,540

- 10.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 3.285 million (June 30, 2015: Rs 4.668 million) is outstanding in this regard. None of the directors of the Management Company were interested in any of donees.

11. WORKERS' WELFARE FUND

The Finance Act, 2008, introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their Trustees in the 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 SHC 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, the decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2015 amounting to Rs. 34.83 million. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 0.12 (0.64%).

The Board of Directors of the Management Company in its meeting held on October 25, 2013 have resolved that unrecorded accumulated WWF provision in the fund from the date of its application till December 31, 2012, in case is required to be paid, shall be borne by Al Meezan Investment Management Limited (Management Company of the Fund). Therefore, the Fund is not exposed to this unrecorded accumulated WWF provision. The unrecorded accumulated provision for WWF up to December 31, 2012 is Rs. 24.534 million.

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015, hence, effective from July 1, 2015, no provision of WWF has been made in the Fund. The matter regarding previous years would either need to be clarified by Regulatory bodies or Courts.

12. CONTINGENCIES AND COMMITMENTS

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

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

In the current year, Al Shaheer Corporation Limited, Highnoon Laboratories Limited, The Searle Company Limited and Hascol Petroleum Limited (June 30, 2015: Mari Petroleum Limited and Hascol Petroleum Limited) issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These have not been deposited with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order. Further, proceedings in respect of monitoring of withholding tax is in progress for Tax Year 2013. The Management is confident that the outcome of the proceedings will not result in any additional tax liability.

- 12.2** The Finance Act, 2015 inserted a new section 4B “Super Tax for Rehabilitation of Temporarily Displaced Persons” (Super Tax) for tax year 2015. Super Tax was imposed for Tax Year 2015 on banking companies at the rate of 4 percent of the income and on all other tax payers having income equal to or exceeding Rs. 500 million at 3 percent of the income. Furthermore, the provision of the said section has also been inserted through the Finance Act, 2016.

During the year, the Management Company has received an order under the aforementioned section for recovery of super tax not paid with return of income in respect of the Fund for the tax year 2015. The Assistant Commissioner considered that the Fund was required to pay super tax as the income of the Fund was more than Rs. 500 million and raised a demand of Rs. 18.258 million in this respect.

The Management Company had filed appeal before Commissioner Inland Revenue (Appeals – III) which was decided against the Management Company. Therefore, the Management Company has filed an appeal against the decision in the Appellate Tribunal Inland Revenue which is pending. The Management Company has obtained a stay order from the Sindh High Court for not taking any coercive action on the basis of impugned order. Subsequently the said stay order expired on July 10, 2016, Next hearing was fixed on July 11, 2016, but was not occurred due to non availability of bench and was adjourned till end of August 2016.

The management, based on consultation with legal advisor and Mutual Fund Association of Pakistan (MUFAP), is of the view that the Management Company has strong ground that the income of the Funds is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, therefore, super tax under the provision of the Income Tax Ordinance, 2001 is not applicable to the Funds.

No provision was made for super tax in the financial statements of the Funds for the year ended June 30, 2016 and June 30, 2015 as the management, along with management companies of other mutual funds, considered that the income of the Funds is exempt from tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 since sufficient accounting income has been distributed among the unit holders and the Funds complied with the requirement of clause 99.

- 12.3** There were no other contingencies and commitments outstanding as at June 30, 2016 and June 30, 2015.

13. NUMBER OF UNITS IN ISSUE

2016 2015
(Number of units)

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

Total units in issue at beginning of the year	246,069,711	204,777,286
Units issued during the year	146,524,429	177,436,638
Units for re - investment of cash dividend during the year	10,676,535	-
Units redeemed during the year	(102,121,029)	(136,144,213)
Total units in issue at end of the year	301,149,646	246,069,711

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

14. AUDITORS' REMUNERATION

2016 2015
(Rupees in '000)

Statutory Audit fee	465	465
Half yearly review	110	110
Other certifications	120	90
Out of pocket expenses	58	9
	753	674

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	2016 (Rupees in '000)	2015
AI Meezan Investment Management Limited - Management Company		
Remuneration payable	8,744	5,981
Sales load payable	292	1,213
Sindh Sales Tax and Federal Excise Duty on management fee payable	37,212	20,702
Sindh Sales Tax and Federal Excise Duty on sales load payable	3,813	2,188
Allocated expense payable	441	-
Investments of 42,781,722 units (June 30, 2015: 27,607,288 units)	769,643	449,447
Meezan Bank Limited (MBL)		
Balances with bank	31,882	167,102
Sales load payable	866	86
Profit receivable on saving accounts	102	67
Investments in shares: nil (June 30, 2015 : 419 shares)	-	17
Investments of 10,807,322 units (June 30, 2015 : 10,336,190 units)	194,424	168,273
Meezan Financial Planning Fund of Funds - MCPP - II		
Investments of 4,912,176 units (June 30, 2015: nil)	88,370	-
Meezan Financial Planning Fund of Funds - MAAP - I		
Investments of 3,263,441 units (June 30, 2015: nil)	58,709	-
Meezan Financial Planning Fund of Funds - MAAP - III		
Investments of 17,952,133 units (June 30, 2015: nil)	322,959	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	519	381
Sindh Sales tax on Trsutee fee payable	94	-
Deposit	238	238
Pakistan Kuwait Investment Company (Private) Limited		
Investments of 16,895,690 units (June 30, 2015: 16,895,690 units)	303,953	275,062
Directors and executives of the Management Company		
Investments of 19,103,830 units (June 30, 2015 : 18,278,967 units)	343,678	297,582
Unit Holders holding 10% or more units of the Fund		
	769,643	449,446
	For the year ended June 30, 2016	For the year ended June 30, 2015
(Rupees in '000)		
AI Meezan Investment Management Limited - Management Company		
Remuneration for the year	89,026	65,601
Sindh Sales Tax and Federal Excise Duty on management fee for the year	28,646	21,902
Units issued : 20,709,179 units (June 30, 2015: 14,633,910 units)	333,353	239,108
Units redeemed : 5,534,745 units (June 30, 2015 : 21,079,401 units)	90,000	360,458
Dividend paid	33,699	8,822
Allocated expenses	2,554	-

	For the year ended June 30, 2016	For the year ended June 30, 2015
	(Rupees in '000)	
Meezan Bank Limited		
Profit on saving accounts with bank	447	1,538
Dividend income	1	4,459
Gain on sale of investments	-	13,707
419 shares sold during the year (June 30, 2015: 2,120,000 shares)	18	34,720
Units issued : 471,132 units (June 30, 2015 : 415,157 units)	8,476	6,746
Dividend paid	8,476	6,746
Meezan Capital Preservation Fund - II		
Units issued: 1,454,545 units (June 30, 2015 : 12,650,739 units)	24,000	178,000
Units redeemed : 1,454,545 units (June 30, 2015 : 15,521,243 units)	22,051	229,426
Meezan Capital Preservation Fund - III		
Units issued: nil (June 30, 2015 : 4,130,435 units)	-	60,000
Units redeemed : nil (June 30, 2015 : 4,130,435 units)	-	58,404
Meezan Financial Planning Fund of Funds		
Units issued: 6,731,130 units (June 30, 2015: 22,153,847 units) - MCPP II	108,852	374,460
Units issued: 6,325,870 units (June 30, 2015: nil) - MCPP I	103,000	-
Units issued: 3,263,441 units (June 30, 2015: nil) - MAAP - I	53,559	-
Units issued: 17,952,133 units (June 30, 2015: nil) - MAAP - III	284,404	-
Units redeemed: 1,818,953 units (June 30, 2015: 22,153,847 units) - MCPP II	29,269	358,228
Units redeemed: 6,325,870 units (June 30, 2015: nil) - MCPP I	98,873	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	5,452	4,280
Sindh Sales Tax on trustee fee	785	-
CDS charges for the year	137	178
Al Meezan Investment Management Limited - Employees' Gratuity Fund		
Units issued : nil (June 30, 2015 : 21,665 units)	-	352
Units redeemed : nil (June 30, 2015 : 539,406 units)	-	8,722
Directors and executives of the Management Company		
Units issued: 1,349,228 units (June 30, 2015 : 11,886,076 units)	24,922	192,149
Units redeemed : 524,365 units (June 30, 2015 : 1,264,853 units)	8,817	21,475

16. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

complies with the NBFC Regulations, 2008 and the directives issued by Securities and Exchange Commission of Pakistan (SECP).

Risks managed and measured by the Fund are explained below:

16.1 Credit risk

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

Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of profit accrual on bank deposits, dividends receivable on equity securities, preference shares, receivable on issuance of units and receivable against sale of investments.

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

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

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

Financial Assets exposed to credit risk	2016	2015
	(Rupees in '000)	
Balances with banks	218,236	565,374
Investments - preference shares	-	15,321
Receivable against sale of investments	-	30,896
Receivable on issuance and conversion of units	55,252	802,517
Dividend receivable	25,608	4,586
Deposits and other receivables	5,485	6,356
	304,581	1,425,050

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	42	0.02	3,110	0.55
AA+	PACRA/ JCR-VIS	46,952	21.51	68,749	12.16
AA	PACRA/ JCR-VIS	35,408	16.22	77,569	13.72
A+	PACRA/ JCR-VIS	2,240	1.03	-	-
A	PACRA/ JCR-VIS	133,594	61.22	415,946	73.57
		218,236	100.00	565,374	100.00

None of the financial assets were considered to be past due or impaired as on June 30, 2016.

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

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

16.2 Liquidity risk

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

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

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

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

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

	2016				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	(Rupees in '000)				
Financial Liabilities:					
Payable to Al Meezan - Management Company	50,502	-	-	-	50,502
Payable to CDC - Trustee	613	-	-	-	613
Payable to Meezan Bank Limited	866	-	-	-	866
Payable on redemption and conversion of units	15,929	-	-	-	15,929
Accrued expenses and other liabilities	7,302	-	-	-	7,302
Payable against purchase of investment (net)	11,515	-	-	-	11,515
Dividend payable	4,772	-	-	-	4,772
	91,499	-	-	-	91,499

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

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

16.3 Market Risk

16.3.1 Price risk

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unitholders from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by SECP. The market risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008. The Fund over all market positions are monitored by the Board of Directors of the Management Company on a quarterly basis.

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

The net assets of the Fund will increase / (decrease) by Rs. 52.64 million (2015: Rs. 35.32 million) if the prices of equity vary due to increase / (decrease) in KMI 30 Index by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 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.

16.3.2 Interest rate risk

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

Cash flow interest rate risk

The Fund's interest risk arises from the balances in saving accounts and investment in preference shares. 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. 2.06 million (June 30, 2015: Rs. 5.69 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			Not exposed to yield / interest rate risk	Total
	Exposed to yield / interest rate risk				
	Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Balances with banks	2.50% to 6.10%	206,244	-	11,992	218,236
Investments - ordinary shares		-	-	5,264,025	5,264,025
Investments - preference shares		-	-	-	-
Receivable against sale of investments (net)		-	-	-	-
Receivable on issuance and conversion of units		-	-	55,252	55,252
Dividend receivable		-	-	25,608	25,608
Deposits and other receivables		-	-	5,485	5,485
		206,244	-	5,362,362	5,568,606
Financial liabilities					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	50,502	50,502
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	613	613
Payable to Meezan Bank Limited (MBL)		-	-	866	866
Payable on redemption and conversion of units		-	-	15,929	15,929
Accrued expenses and other liabilities		-	-	7,302	7,302
Payable against purchase of investments (net)		-	-	11,515	11,515
Dividend payable		-	-	4,772	4,772
		-	-	91,499	91,499
On-balance sheet gap		206,244	-	5,270,863	5,477,107
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		206,244	-	-	-
Cumulative interest rate sensitivity gap		206,244	206,244	206,244	

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)					
On-balance sheet financial instruments					
Financial assets					
Balances with banks	3.79% to 7.30%	553,600	-	11,774	565,374
Investments - ordinary shares		-	-	3,531,720	3,531,720
Investments - preference shares	KIBOR + 3 percent	15,321	-	-	15,321
Receivable against sale of investments (net)		-	-	30,896	30,896
Receivable on issuance and conversion of units		-	-	802,517	802,517
Dividend receivable		-	-	4,586	4,586
Deposits and other receivables		-	-	6,439	6,439
		568,921	-	4,387,932	4,956,853
Financial liabilities					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	30,084	30,084
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	381	381
Payable to Meezan Bank Limited (MBL)		-	-	86	86
Payable on redemption and conversion of units		-	-	841,987	841,987
Accrued expenses and other liabilities		-	-	6,443	6,443
Payable against purchase of investments (net)		-	-	-	-
Dividend payable		-	-	22,750	22,750
		-	-	901,731	901,731
On-balance sheet gap		568,921	-	3,486,201	4,055,122
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		568,921	-	-	-
Cumulative interest rate sensitivity gap		568,921	568,921	568,921	

16.3.3 Currency risk

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

17. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

The Fund meets the requirement of sub-regulation 54(3a) of NBFC Regulation, 2008, which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

In accordance with the risk management policies, 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.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

The additional disclosures due to the adoption of IFRS 13 Fair value measurement are as follows:

Note	Carrying amount					Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total
June 30, 2016									
Financial assets - measured at fair value									
Investments	5,264,025	-	-	-	5,264,025	5,264,025	-	-	5,264,025
Financial assets - not measured at fair value									
Balances with banks	18.1	-	218,236	-	218,236	-	-	-	-
Receivable against sale of investments (net)	18.1	-	-	-	-	-	-	-	-
Receivable on issuance and conversion of units	18.1	55,252	-	-	55,252	-	-	-	-
Dividend receivable	18.1	25,608	-	-	25,608	-	-	-	-
Deposits and other receivables	18.1	5,485	-	-	5,485	-	-	-	-
		<u>5,264,025</u>	<u>86,345</u>	<u>218,236</u>	<u>-</u>	<u>5,568,606</u>	<u>5,264,025</u>	<u>-</u>	<u>5,264,025</u>
Financial liabilities - not measured at fair value									
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	18.1	-	-	50,502	50,502	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	18.1	-	-	613	613	-	-	-	-
Payable to Meezan Bank Limited (MBL)	18.1	-	-	866	866	-	-	-	-
Payable on redemption and conversion of units	18.1	-	-	15,929	15,929	-	-	-	-
Accrued expenses and other liabilities	18.1	-	-	7,302	7,302	-	-	-	-
Payable against purchase of investments - net	18.1	-	-	11,515	11,515	-	-	-	-
Dividend payable	18.1	-	-	4,772	4,772	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>91,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

19. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders.

Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than 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).

20. PERFORMANCE TABLE

	2016	2015	2014	2013	2012
Net assets (Rs. in '000) (ex-distribution)	5,418,397	4,006,911	2,847,050	2,190,127	1,680,705
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	17.99	16.28	13.90	12.59	10.69
Offer price per unit as at June 30 (Rs.) (ex-distribution)	18.47	16.71	14.31	12.96	10.97
Highest offer price per unit (Rs.)	19.57	17.82	16.54	17.30	13.83
Lowest offer price per unit (Rs.)	15.49	13.54	12.85	11.37	10.22
Highest redemption price per unit (Rs.)	19.07	17.36	16.07	17.21	13.47
Lowest redemption price per unit (Rs.)	15.09	13.16	12.48	11.08	9.96
Distribution (%)					
- Annual		-	-	35	20
- Interim	8.2	6.80	24	-	-
Dates of distribution	Jun 24, 2016	Jun 26, 2015	May 30, 2014	Jul 8, 2013	Jul 9, 2012
Income distribution (Rupees in '000)	235,503	142,033	59	10	-
Growth distribution (Rupees in '000)	-	-	418,364	476,441	264,972
Total return (%)	16	22	30	51	20
	One year	Two year	Three year	Four year	Five year
Average annual return (%) as at June 30, 2016	16.00	18.77	21.97	27.18	25.57

Investment portfolio composition of the Fund

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 16.

21 INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoab	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 Manager	CFA / MBA - Finance	Eight years
Mr. Asmar Hamoodi	AVP Investments	BBA - Finance / CFA / ACCA	Four years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Eleven years

21.2 The Fund manager of the Fund is Mr. Ahmed Hasan. Other funds being managed by the Fund manager are Meezan Financial Planning Fund of Funds and Meezan Asset Allocation Fund.

22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 3, 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

23. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

	2016 %
Broker's Name	
1 Arif Habib Securities Limited	11.86
2 JS Global Capital Limited.	10.52
3 Shajar Capital Pakistan (Private) Limited	9.22
4 BMA Capital Management Limited	8.35
5 Top Line Securities (Private) Limited	7.56
6 Next Capital Limited	6.59
7 Optimus Capital Management (Private) Limited	6.50
8 Fortune Securities Limited	5.80
9 Foundation Securities (Private) Limited	4.74
10 Elixir Securities Pakistan (Private) Limited	4.17
	2015 %
Broker's Name	
1 Fortune Securities Limited	18.28
2 JS Global Capital Limited	14.07
3 Shajar Capital Pakistan (Private) Limited	9.92
4 Optimus Capital Management (Private) Limited	9.36
5 Arif Habib Securities Limited	7.45
6 AKD Securities Limited	7.21
7 KASB Securities Limited	7.07
8 BMA Capital Management Limited	6.51
9 Foundation Securities (Private) Limited	4.02
10 Global Securities Pakistan Limited	3.22

24. PATTERN OF UNIT HOLDING

As at June 30, 2016

	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	3,021	2,165,256	40%
Associated companies / directors	8	2,072,924	38%
Insurance companies	2	224,125	4%
Banks / DFIs	1	9,540	0%
Retirement funds	17	679,451	13%
Public limited companies	1	191	0%
Others	36	266,910	5%
Total	3,086	5,418,397	100%


As at June 30, 2015

	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	2648	1,796,665	44%
Associated companies / directors	5	1,183,897	30%
Insurance companies	4	301,895	8%
Banks / DFIs	1	8,224	0%
Retirement funds	17	574,079	14%
Public limited companies	2	768	0%
Others	35	141,383	4%
Total	2,712	4,006,911	100

25. 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 Shoab, 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	%
Associated Companies		
Al Meezan Investment Management Limited	42,781,722	14.21
Meezan Bank Limited	10,807,323	3.59
Pakistan Kuwait Investment Company (Private) Limited	16,895,690	5.61
Meezan Financial Planning Fund of Funds		
- Meezan Capital Preservation Plan - II	4,912,176	1.63
- Meezan Asset Allocation Plan - I	3,263,441	1.08
- Meezan Asset Allocation Plan - III	17,952,133	5.96
Chief executive		
Mr. Mohammad Shoaib, CFA	17,113,370	5.68
Directors		
Mr. Arif ul Islam	1,485,416	0.49
Executives	505,044	0.17
Public Limited Companies	10,598	0.00
Banks	530,224	0.18
Retirement Funds	37,763,305	12.54
Other Corporate Sector Entities	27,291,314	9.06
Individuals	119,837,890	39.79
Total	301,149,646	100.00





KSE Meezan Index Fund

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

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 SultanTrust Building No.2, Beaumont Road, Karachi - 75530.

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Dubai Islamic Bank - Hill Park
Habib Metropolitan Bank Limited - Islamic Banking
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2016

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

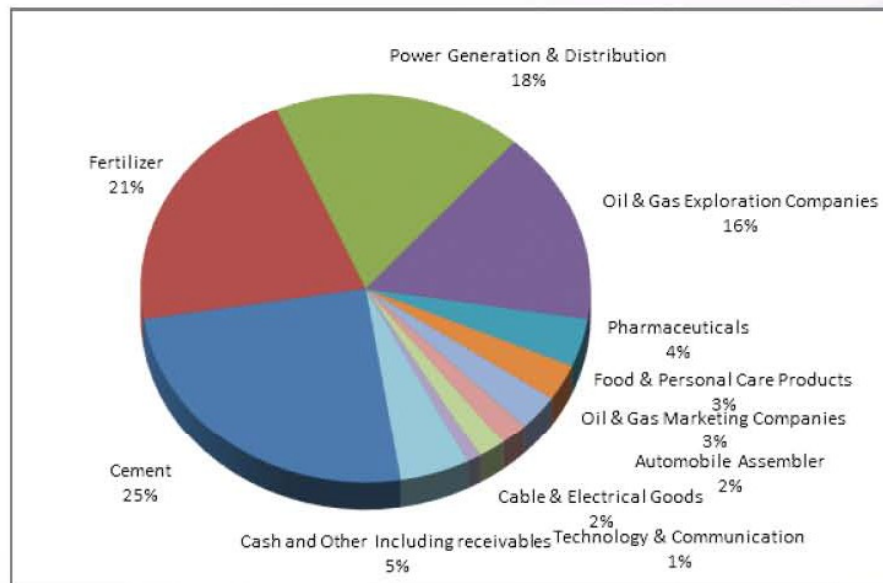
The objective of KMIF is to provide investors an opportunity to track the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the Index in proportion to their weightages.

Strategy, Investment Policy and Asset Allocation

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

The Fund was launched on 23rd May 2012, and completed its fourth full year of operations during the year. As on June 30, 2016, the asset allocation of the fund is as given below:

Sector Allocation as on 30th June 2016



Performance Review

During FY16, KSE Meezan Index Fund (KMIF) provided a return of 13.32% to its investors while KSE Meezan Index (KMI 30) returned 15.53% to close at 66,163 pts. On a gross basis, the fund's return was 15.08%, thus tracking 97.10% of the benchmark return with tracking error remaining within the stipulated limits.

KMIF posted a total income of Rs. 118 million in the fiscal year 2016 as compared to Rs. 218 million last year. Total income comprised of unrealized gain on investments of Rs. 93 million. Dividend income contributed Rs. 54 million, while profit on saving accounts with banks amounted to Rs. 0.48 million. After accounting for expenses of Rs. 19 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 6 million, the Fund posted a net income of Rs. 105 million. The net assets of the Fund as at June 30, 2016 were Rs. 8812 million as compared to Rs. 1,159 million at the end of last year. The net asset of the fund was at June 30, 2016 wa 881 million and as compared to Rs. 1159 million at the end of last year. The net Asset value per unit as at June 30, 2016 Rs. 78.91 as compared to Rs. 73.55 per unit as June 30, 2015.

	KMIF	KMI-30
Net Asset Value (NAV) as on June 30, 2015	73.55	57,271
Net Asset Value (NAV) as on June 30, 2016	78.91	66,163
Return the Period (<i>Dividend adjusted</i>)	13.32%	15.53%



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. 0.94 million was accrued as charity payable.

Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2016 was Rs. 2.35 per unit (4.70%). Total distribution made by the fund was Rs. 24.60 million.

Proxy Voting

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	322
10,000 - 49,999	68
50,000 - 99,999	4
100,000 - 499,999	6
500,000 and above	4
Total	404



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor –KSE Meezan Index 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 KMIF in light of *Shari'ah* requirements. Following is the list of the top investments of KMIF 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)
Engro Corporation Ltd	Fertilizer	28%	7%	1.05%	79%	-131.58	333.55
Hub Power Co Ltd	Power Generation and Distribution	29%	0%	0.15%	43%	-25	120.43
Lucky Cement	Cement	10%	3%	1.85%	73%	-30.12	649.4
Fauji Cement Co. Ltd	Cement	20%	5%	0.97%	85%	-5.49	35.86
DG Khan Cement Ltd	Cement	11%	7%	4.66%	80%	-5.47	191.11

Page 1 of 2

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



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Pakistan Petroleum Ltd	Oil and Gas Exploration Companies	0%	28%	4.02%	46%	40.05	156.43
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0%	0%	1.50%	74%	-40.376	348.45
Dawood Hercules	Fertilizer	28%	7%	1.02%	79%	-151.34	148.82
Kot Addu Power Co Ltd	Power Generation and Distribution	28%	0%	4.68%	25%	8.83	89.33
Maple Leaf Cement Ltd	Cement	9%	0%	0.03%	92%	-18.6	106.26

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

** All interest based debts.

- ii. On the basis of information provided by the management, all operations of KMIF 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 KMIF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

During the year a provision of Rupees 0.94 million was created and an amount of Rupees 2.10 million was disbursed as charity. The amount of Rupees 1.60 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

KSE MEEZAN INDEX FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of KSE Meezan Index Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 NBFIs 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
Beaumont Road
Karachi, 75530 Pakistan

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Internet www.kpmg.com.pk

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Al Meezan Investment Management Limited (“Management Company”) of the Fund for the year ended 30 June 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.
Chartered Accountants

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



KPMG Taseer Hadi & Co.
Chartered Accountants
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Independent Auditors' Report to the Unitholders

Report on the Financial Statements

We have audited the accompanying financial statements of **KSE Meezan Index Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 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.



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.

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

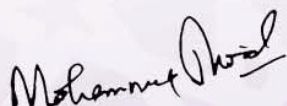
STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Assets			
Balances with banks	4	12,896	11,061
Investments	5	881,793	1,167,189
Receivable against investments - (net)		5,237	63,294
Receivable on issuance and conversion of units		1,533	229,679
Dividend receivable		2,630	4,849
Deposits and other receivables	6	2,677	2,626
Preliminary expenses and floatation costs	7	361	764
Total assets		907,127	1,479,462
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8	6,773	5,413
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	160	183
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	832	1,192
Payable to Meezan Bank Limited (MBL)		265	23
Payable on redemption and conversion of units		117	295,827
Accrued expenses and other liabilities	11	17,306	17,501
Dividend payable		45	-
Total liabilities		25,498	320,139
Net assets		881,629	1,159,323
Contingencies and commitments	15		
Unitholders' fund (as per statement attached)		881,629	1,159,323
		(Number of units)	
Number of units in issue	12	11,172,537	15,761,944
		(Rupees)	
Net assets value per unit		78.91	73.55

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
Income			
Net realised (loss) / gain on sale of investments		(29,641)	27,701
Dividend income		53,797	78,129
Profit on saving accounts with banks		479	687
Other income		586	1,183
		25,221	107,700
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	92,968	110,537
Total income		118,189	218,237
Expenses			
Remuneration to Al Meezan Investment Management Limited (Al Meezan)- Management Company"	8.1	8,759	12,550
Sindh Sales Tax and Federal Excise Duty on Management Fee	8.2 & 8.3	2,823	4,192
Allocated expenses	8.4	440	-
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee "	9	1,733	2,255
Sindh Sales Tax on trustee fee	9.1	243	-
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	832	1,192
Auditors' remuneration	13	365	310
Brokerage expense		1,408	1,993
Charity expense		936	1,702
Bank and settlement charges		626	770
Amortisation of preliminary expenses and floatation costs	7	403	403
Legal and professional charges		133	-
Fees and subscription		414	125
Provision for Workers' Welfare Fund (WWF)	16	-	3,447
Printing expenses		42	23
Total expenses		19,157	28,962
Net income from operating activities		99,032	189,275
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (net)		6,099	(20,368)
Net income for the year before taxation		105,131	168,907
Taxation	20	-	-
Net income for the year after taxation		105,131	168,907
Other comprehensive income for the year		-	-
Total comprehensive income for the year		105,131	168,907

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

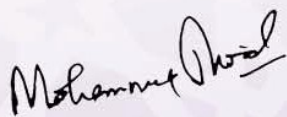

Mazhar Sharif
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Undistributed income brought forward			
- Realised		257,863	77,379
- Unrealised		110,537	122,114
		368,400	199,493
Final distribution for the year ended June 30, 2015			
- cash dividend: @ 3.70% i.e. Rs. 1.85 per unit (June 30, 2014: nil)		(29,160)	-
Interim distribution for the year ended June 30, 2016			
- cash dividend: @ 4.70% i.e. Rs. 2.35 per unit (June 30, 2015: nil)		(24,604)	-
		(53,764)	-
Net income for the year		105,131	168,907
Undistributed income carried forward		419,767	368,400
Undistributed income carried forward			
- Realised		326,799	257,863
- Unrealised	5.1	92,968	110,537
		419,767	368,400

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 beginning of the year	1,159,323	1,176,027
Issuance of 3,612,741 units (June 30, 2015: 7,119,936 units)	285,250	488,536
Issuance of 222,882 units for re-investment of cash dividend (June 30, 2015: nil)	19,441	-
Redemption of 8,425,030 units (June 30, 2015: 10,074,114 units)	(627,653)	(694,515)
	(322,962)	(205,979)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(6,099)	20,368
Net realised (loss) / gain on sale of investments	(29,641)	27,701
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	92,968	110,537
Other net income for the year	41,804	30,669
Total comprehensive income for the year	105,131	168,907
Final distribution for the year ended June 30, 2015 - cash dividend: @ 3.70% i.e. Rs. 1.85 per unit (June 30, 2014: nil)	(29,160)	-
Interim distribution for the year ended June 30, 2016 - cash dividend: @ 4.70% i.e. Rs. 2.35 per unit (June 30, 2015: nil)	(24,604)	-
Total distribution	(53,764)	-
Net income for the year less distribution	51,367	168,907
Net assets at end of the year	881,629	1,159,323
	(Rupees)	
Net assets value per unit at beginning of the year	73.55	62.83
Net assets value per unit at end of the year	78.91	73.55

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

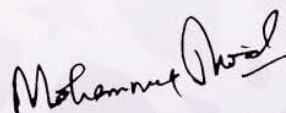
CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	105,131	168,907
Adjustments for:		
Amortisation of preliminary expenses and floatation costs	403	403
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	(92,968)	(110,537)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(6,099)	20,368
	6,467	79,141
Decrease / (increase) in assets		
Investments (net)	378,364	119,223
Receivable against investments - (net)	58,057	(63,294)
Dividend receivable	2,219	(3,771)
Deposits and other receivables	(51)	29
	438,589	52,187
Increase / (decrease) in liabilities		
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	1,360	2,675
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	(23)	33
Payable to Securities and Exchange Commission of Pakistan (SECP)	(360)	267
Payable to Meezan Bank Limited (MBL)	242	9
Payable against investments (net)	-	(238,282)
Accrued expenses and other liabilities	(195)	6,342
	1,024	(228,956)
Net cash generated from / (used in) operating activities	446,080	(97,628)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issuance and conversion of units	532,837	258,857
Payment against redemption and conversion of units	(923,363)	(398,852)
Dividend paid	(53,719)	-
Net cash used in financing activities	(444,245)	(139,995)
Net increase / (decrease) in cash and cash equivalents during the year	1,835	(237,623)
Cash and cash equivalents at beginning of the year	11,061	248,684
Cash and cash equivalents at end of the year	4 12,896	11,061

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** KSE Meezan Index Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on March 13, 2012 and was approved by Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund is a Shariah Compliant Index Fund that aims to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an Equity Scheme.
- 1.4** The Management Company of the Fund has been given quality rating of AM2++ by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

2. BASIS OF PRESENTATION

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the Non Banking Finance Companies Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008) and directives issued by the SECP. Wherever, the requirement of the NBFC Rules, the NBFC Regulations 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 the basis of historical cost convention except for investments classified as 'at fair value through profit or loss' which is measured at fair value.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

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

- a) Classification and valuation of financial instruments (notes 3.1 and 5)
- b) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7)
- c) Recognition of provision for Workers' Welfare Fund (note 16) and
- 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 January 01, 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 July 01, 2016:

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 January 01, 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 the periods presented, unless otherwise stated.

3.1 Financial instruments

3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets in accordance with the requirement of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

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

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

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

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

(b) Loans and receivables

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

3.1.2 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 charged to the income statement immediately.

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

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

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

3.1.4 Fair value measurement principles

The fair value of shares of listed companies / units of funds is based on their prices quoted on the Pakistan Stock Exchange (formerly Karachi Stock Exchange) at the reporting date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair values.

3.1.5 Derecognition

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

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

3.1.6 Regular way contract

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

3.1.7 Offsetting of financial instruments

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

3.2 Unitholders' fund

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

3.3 Issuance and redemption of units

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

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

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

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

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

3.5 Provisions

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

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from 18 May 2012 in accordance with the requirements of the trust deed of the Fund.

3.7 Net assets value per unit

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

3.8 Taxation

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

Current

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

Deferred

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

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

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

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

3.9 Revenue recognition

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

3.10 Expenses

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

3.11 Earnings per unit

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

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are

readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.13 Distribution

Distribution including bonus units 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 current accounts	7,938	2,671
On saving accounts	4,958	8,390
	12,896	11,061

- 4.1 The balance in saving accounts have an expected profit ranging from 2.50% to 3.59% per annum (2015: 4.00% to 5.00% per annum).

5. INVESTMENTS

Note	2016 (Rupees in '000)	2015
Investments at 'fair value through profit or loss'		
- Held for trading	880,846	1,163,796
- Preference shares - fair value at initial recognition	-	3,393
Investment in ordinary shares - unlisted	947	-
	881,793	1,167,189

5.1 Held for trading - shares of listed companies

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)			%	
Sectors/ Companies									
Automobile Assembler									
Honda Atlas Cars (Pakistan) Limited	39,400	13,200	-	21,900	30,700	7,451	11,024	3,573	1.25
Millat Tractors Limited	-	22,100	-	22,100	-	-	-	-	0.00
Pak Suzuki Motor Company Limited	30,100	8,800	-	15,400	23,500	10,160	8,981	(1,179)	1.02
									2.27
Cable & Electrical Goods									
Pak Elektron Limited	248,000	148,375	-	181,500	214,875	14,780	13,892	(888)	1.58
Cement									
Cherat Cement Company Limited	159,527	47,900	-	83,800	123,627	11,420	14,782	3,362	1.68
D.G. Khan Cement Company Limited	-	340,200	-	80,300	259,900	39,315	49,508	10,193	5.61
Fauji Cement Company Limited	1,012,694	299,600	-	495,000	817,294	28,868	29,259	391	3.32
Kohat Cement Company Limited	64,240	2,200	-	66,440	-	-	-	-	0.00
Pakcem Limited (formerly Lafarge Pakistan)	502,194	21,500	-	523,694	-	-	-	-	0.00
Lucky Cement Limited	178,990	48,800	-	88,400	139,390	74,210	90,396	16,186	10.25
Maple Leaf Cement Factory Limited	329,200	91,000	-	164,200	256,000	20,830	27,011	6,181	3.06
Pioneer Cement Limited	173,500	49,998	-	88,900	134,598	11,938	14,456	2,518	1.64
									25.56
Fertilizer									
Dawood Hercules Corporation Limited	466,200	132,000	-	235,100	363,100	43,624	54,055	10,431	6.13
Engro Corporation Limited	362,400	97,800	-	177,900	282,300	84,561	93,997	9,436	10.66
Engro Fertilizers Limited	276,500	266,000	-	183,500	359,000	29,613	23,148	(6,465)	2.63
Fatima Fertilizer Company Limited	580,000	167,200	-	294,000	453,200	17,443	15,382	(2,061)	1.74
Fauji Fertilizer Bin Qasim Limited	452,920	83,600	-	536,500	20	1	1	-	0.00
Fauji Fertilizer Company Limited	899,501	226,300	-	1,125,800	1	-	-	-	0.00
									21.16

Name of the investee company	As at July 01, 2015	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2016	Percentage in relation to Market Value of Total Investment
	(Number of shares)					(Rupees in '000)			%
Food & Personal Care Products									
Engro Foods Limited	159,100	44,600	-	79,500	124,200	18,986	20,286	1,300	2.30
Treet Corporation Limited	28,950	85,200	-	47,950	66,200	3,851	3,272	(579)	0.37
									2.67
Oil and Gas exploration Companies									
Mari Petroleum Company Limited	30,494	9,000	-	15,700	23,794	12,952	21,610	8,658	2.45
Pakistan Oilfields Limited	149,664	41,900	-	74,900	116,664	43,403	40,538	(2,865)	4.60
Pakistan Petroleum Limited (note 5.1.2)	665,778	182,500	-	329,300	518,978	80,924	80,468	(456)	9.13
									16.18
Oil & Gas Marketing Companies									
Hascol Petroleum Limited (note 15)	43,800	25,500	6,840	30,500	45,640	5,982	8,917	2,935	1.01
Pakistan State Oil Limited	175,088	6,000	-	181,088	-	-	-	-	0.00
Shell Pakistan Limited	29,722	7,700	-	37,400	22	6	6	-	0.00
Sui Northern Gas Pipeline Limited	-	207,000	-	1,000	206,000	7,171	7,476	305	0.85
Sui Southern Gas Company Limited	-	288,000	-	3,500	284,500	7,625	7,832	207	0.89
									2.75
Pharmaceuticals									
GlaxoSmithKline Pakistan Limited	70,232	71,432	-	86,632	55,032	10,107	11,398	1,291	1.29
The Searle Company Limited (note 15)	53,500	22,420	12,286	41,900	46,306	14,931	24,826	9,895	2.82
									4.11
Power Generation & Distribution									
K-Electric Limited (note 5.1.1)	3,819,153	990,000	-	1,834,500	2,974,653	24,307	23,976	(331)	2.72
Kot Addu Power Company Limited	628,753	531,500	-	685,253	475,000	42,201	42,394	193	4.81
Hub Power Company Limited	1,201,462	235,300	-	626,000	810,762	78,087	97,340	19,253	11.04
									18.57
Refinery									
Attock Refinery Limited	47,285	14,900	-	25,400	36,785	8,524	10,305	1,781	1.17
Byco Petroleum Pakistan Limited	-	371,500	-	162,000	209,500	4,180	4,303	123	0.49
									1.66
Technology & Communication									
Pakistan Telecommunication Company Limited "A"	814,823	237,000	-	416,500	635,323	12,042	9,550	(2,492)	1.08
Textile Composite									
Nishat Mills Limited	-	253,400	-	63,800	189,600	18,385	20,457	2,072	2.32
Total						787,878	880,846	92,968	
Total cost of investments - 'held for trading'							970,335		

5.1.1 All shares have a nominal value of Rs.10 each except for the shares of K-Electric Limited which have nominal value of Rs. 3.50 each .

5.1.2 417,000 shares of Pakistan Petroleum Limited (2015: 417,000 shares of Pakistan Petroleum Limited), having market value of Rs 64.656 million as at June 30, 2016 (2015: Rs. 68.496 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

5.2 Preference shares - unlisted

Name of Investee Company	2015	
	Number of Shares	Carrying value (Rupees in '000)
Mari Petroleum Company Limited - at cost	339,346	3,393

5.3 Investment in ordinary shares - unlisted

Name of Investee Company		2016	
		Number of Shares	Carrying value (Rupees in '000)
GlaxoSmithKline Consumer Healthcare Pakistan Limited	5.3.1	15,279	947

5.3.1 During the year, GlaxoSmithKline Pakistan Limited (GSK) announced a de-merger scheme whereby 3 ordinary shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited (GSK CHC) were issued for every 10 ordinary shares held in GSK. The net assets of consumer health business on the said date were Rs. 956 million i.e. 7.67% and hence, the carrying cost was allocated by applying the aforementioned percentage among GSK and GSK CHC and market price has been adjusted accordingly. GSK CHC is under the process of obtaining listing on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited), and therefore, is not included in KMI-30 Index.

6. DEPOSITS AND OTHER RECEIVABLES

	Note	2016 (Rupees in '000)	2015
Profit receivable on saving accounts with banks		75	23
Security deposits		2,602	2,603
		2,677	2,626

7. PRELIMINARY EXPENSES AND FLOATATION COSTS

	Note	2016	2015
Preliminary expenses and floatation costs	7.1	764	1,167
Less: Amortisation during the year		403	403
		361	764

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund, restricted to one percent of Pre-IPO capital, and are being amortised over a period of five years in accordance with the trust deed of the Fund.

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

	Note	2016 (Rupees in '000)	2015
Management fee	8.1	700	1,012
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	5,502	3,959
Sales load payable		76	109
Sindh Sales Tax and Federal Excise Duty on sales load	8.2 & 8.3	425	333
Allocated expenses	8.4	70	-
		6,773	5,413

8.1 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 3 percent of average annual net assets in case of Equity Scheme. The remuneration of the Management Company has been charged at the rate of 1 percent per annum for the year ended June 30, 2016.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from July 01, 2011. During the year, SST at the rate of 14 percent was charged on the remuneration of Management Company and sales load.

8.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) 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 04, 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 July 01, 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 July 01, 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. 4.69 million. Had the provision not been made, the Net Asset Value per unit of the Fund as at June 30, 2016 would have been higher by Re. 0.42 per unit.

- 8.4** During the year, a statutory notification (S.R.O. No. 1160 (I) / 2015 dated November 25, 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.

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

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

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

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

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

10. 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 an equity scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% 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 0.076% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.095%. The fee is payable to the SECP within three months of the close of the financial year.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2016 (Rupees in '000)	2015
Workers' Welfare Fund (WWF) payable	16	12,897	12,897
Charity payable	11.1	1,600	2,764
Brokerage payable		921	1,296
Auditors' remuneration		225	225
Printing Expenses Payable		83	105
Rating fee payable		200	100
Withholding tax payable		1,114	94
Zakat Payable		-	20
Shariah advisory fee payable		266	-
		17,306	17,501

11.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.600 million is outstanding in this regard. None of the directors of the Management Company were interested in any of donees.

12. NUMBER OF UNITS IN ISSUE

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

	2016 (Number of units)	2015
Total units in issue at beginning of the year	15,761,944	18,716,122
Units issued during the year	3,612,741	7,119,936
Units issued against re-investment of cash dividend during the year	222,882	-
Units redeemed during the year	(8,425,030)	(10,074,114)
Total units in issue at end of the year	11,172,537	15,761,944

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

13. AUDITORS' REMUNERATION

	Note	2016 (Rupees in '000)	2015
Statutory Audit fee		125	125
Half yearly review		100	80
Other certifications and services		100	100
Out of pocket expenses		40	5
		365	310

14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

Details of transactions with connected persons and balances with them for the year ended 30 June 2016 are as follows:

	2016 (Rupees in '000)	2015
Al Meezan Investment Management Limited (Al Meezan) - Management Company		
Remuneration payable	700	1,012
Sindh Sales Tax and Federal Excise Duty on management fee payable	5,502	3,959
Sales load payable	76	109
Sindh sales tax and Federal Excise Duty on sales load payable	425	333
Allocated expenses payable	70	-
Investment as at June 30, 2016: 3,529,375 units (June 30, 2015 : 1,989,357 units)	278,503	146,317
Meezan Bank Limited		
Sales load payable	265	23
Bank balance	4,299	3,170
Investment as at June 30, 2016: 2,113,224 units (June 30, 2015: 2,113,224 units)	166,754	155,428
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Trustee fee payable	140	183
Sindh Sales Tax on Trustee Fee Payable	20	-
Deposit	103	103

	2016 (Rupees in '000)	2015
Meezan Capital Preservation Fund - III		
Investments as at June 30, 2016: nil units (June 30, 2015: 4,638,473 units)	-	341,160
Meezan Capital Preservation Fund - II		
Investments as at June 30, 2016: nil units (June 30, 2015: 1,734,306 units)	-	127,558
Directors and Executives of the Management Company		
Investment as at June 30, 2016: 432,596 units (June 30, 2015: 411,792 units)	34,136	30,287

	For the year ended June 30,	
	2016 (Rupees in '000)	2015
AI Meezan Investment Management Company Limited (AI Meezan) - Management Company		
Remuneration for the year	8,759	12,550
Sindh Sales Tax and Federal Excise Duty on management fee for the year	2,823	4,192
Allocated expenses	440	-
Units issued: 1,540,018 units (2015: nil units)	110,277	-
Bonus units issued: nil units (2014: 1,568,367 units)	-	-
Unit redeemed : nil (2015: 3,131,009 units)	-	230,286
Cash dividend paid	10,276	-
Meezan Bank Limited		
Profit on saving account	57	104
Cash dividend paid	8,875	-
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Remuneration Fee for the year	1,733	2,255
Sindh Sales tax on Trustee Fee for the year	243	-
CDS charges	84	75
Meezan Capital Preservation Fund - III		
Units issued: 119,682 units (2015: 4,638,473 units)	8,581	328,177
Transaction Cost received	-	823
Units redeemed: 4,758.155 units (2015: nil units)	329,438	-
Cash dividend paid	8,581	-
Meezan Capital Preservation Fund - II		
Units issued: 44,749 units (2015: 215,039 units)	3,208	13,540
Transaction Cost received	-	34
Units redeemed: 1,779,055 units (2015: 2,306,891)	134,364	155,000
Cash dividend paid	3,208	-
Directors and Executives of the Management Company		
Units issued: 39,474 units (2015: 1,530 units)	3,295	104
Units redeemed: 18,670 units (2015: 873,710 units)	1,438	63,710
Cash dividend paid	1,795	-

15. CONTINGENCIES AND COMMITMENTS

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

In this regard, a Constitutional Petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was 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 and The Searle Company 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 have not been deposited by the Company with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

There were no other contingencies and commitments outstanding as at June 30, 2016 and June 30, 2015.

16. WORKERS' WELFARE FUND

The Finance Act, 2008, introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their Trustees in the Honourable 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 01, 2013 to June 30, 2015 amounting to Rs. 12.897 million. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 1.09 (1.38%).

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015, hence, effectively from July 01, 2015 no provision of WWF has been made in the Fund. The matter regarding previous years would either need to be clarified by Regulatory bodies or Courts.

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, 2008 and the directives issued by the SECP.

Risks managed and measured by the Fund are explained below:

17.1 Credit risk

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

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

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

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

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

Financial Assets exposed to credit risk	2016	2015
	(Rupees in '000)	
Balances with banks	12,896	11,061
Investment - preference shares	-	3,393
Receivable against investments - (net)	5,237	63,294
Receivable on issuance and conversion of units	1,533	229,679
Dividend receivable	2,630	4,849
Deposits and other receivables	2,677	2,626
	24,973	314,902

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

	Rating agency	2016		2015	
		(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)
AAA	PACRA	9	0.07	10	0.09
AA+	PACRA	8,394	65.09	7,880	71.24
AA	JCR - VIS	4,484	34.77	3,170	28.66
A+	JCR - VIS	9	0.07	1	0.01
		12,896	100.00	11,061	100.00

None of the financial assets were considered to be past due or impaired as on June 30, 2016.

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

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

17.2 Liquidity risk

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

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

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

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

In addition to unitholder fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at 30 June 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	6,773	-	-	-	6,773
Payable to Central Depository of Pakistan limited (CDC) - Trustee	160	-	-	-	160
Payable to Meezan Bank Limited (MBL)	265	-	-	-	265
Payable on redemption and conversion of units	117	-	-	-	117
Accrued expenses and other liabilities	3,295	-	-	-	3,295
Dividend payable	45	-	-	-	45
	10,655	-	-	-	10,655

	2015				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	5,413	-	-	-	5,413
Payable to Central Depository of Pakistan limited (CDC) - Trustee	183	-	-	-	183
Payable to Meezan Bank Limited (MBL)	23	-	-	-	23
Payable on redemption and conversion of units	295,827	-	-	-	295,827
Accrued expenses and other liabilities	4,490	-	-	-	4,490
Dividend payable	-	-	-	-	-
	305,936	-	-	-	305,936

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

17.3 Market risk

17.3.1 Price risk

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unit holders from investment in shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the SECP. Further, it is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

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

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in these financial statements. At 30 June 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 30 index (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by Rs 8.818 million (2015: 11.638 million) if the prices of equity vary due to increase / decrease in KMI 30 Index by 1% with all other factors held constant.

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

17.3.2 Interest rate risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which affect cash flows pertaining to debt instruments and their fair values. The Fund does not hold any debt instruments therefore its net assets are not exposed to these risks.

Cash flow interest rate risk

The Fund's interest risk arises from the balances in saving accounts.

During the year ended June 30, 2016, the net income would have increased / (decreased) by Rs 4.958 million (2015: Rs 0.118 million) had the interest rates on profit and loss saving accounts increased / (decreased) by 100 basis points.

Fair value interest rate risk

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

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			Not exposed to yield / interest rate risk	Total
	Exposed to yield / interest rate risk				
	Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Balances with banks	2.50% to 3.59%	4,958	-	7,938	12,896
Investments		-	-	881,793	881,793
Receivable against investments - (net)		-	-	5,237	5,237
Receivable on issuance and conversion of units		-	-	1,533	1,533
Dividend receivable		-	-	2,630	2,630
Deposits and other receivables		-	-	2,677	2,677
		4,958	-	901,808	906,766
Financial liabilities					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	6,773	6,773
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	160	160
Payable to Meezan Bank Limited (MBL)		-	-	265	265
Payable on redemption and conversion of units		-	-	117	117
Accrued expenses and other liabilities		-	-	3,295	3,295
Dividend payable		-	-	45	45
		-	-	10,655	10,655
On-balance sheet gap		4,958	-	891,153	896,111
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		4,958	-	-	-
Cumulative interest rate sensitivity gap		4,958	4,958	4,958	

	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)						
On-balance sheet financial instruments						
<i>Financial assets</i>						
Balances with banks	4.00% to 5.00%	8,390	-	-	2,671	11,061
Investments	KIBOR + 3%	3,393	-	-	1,163,796	1,167,189
Receivable against investments - (net)		-	-	-	63,294	63,294
Receivable on issuance and conversion of units		-	-	-	229,679	229,679
Dividend receivable		-	-	-	4,849	4,849
Deposits and other receivables		-	-	-	2,626	2,626
		11,783	-	-	1,466,915	1,478,698
<i>Financial liabilities</i>						
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	-	5,413	5,413
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	183	183
Payable to Meezan Bank Limited (MBL)		-	-	-	23	23
Payable on redemption and conversion of units		-	-	-	295,827	295,827
Accrued expenses and other liabilities		-	-	-	4,490	4,490
Dividend payable		-	-	-	-	-
		-	-	-	305,936	305,936
On-balance sheet gap		11,783	-	-	1,160,979	1,172,762
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		11,783	-	-	-	-
Cumulative interest rate sensitivity gap		11,783	11,783	11,783	-	-

17.3.3 Currency risk

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

18. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

Note	Carrying amount					Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total
June 30, 2016									
Financial assets - measured at fair value									
Investments - Held for trading	880,846	-	-	-	880,846	880,846	-	-	880,846
	<u>880,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880,846</u>	<u>880,846</u>	<u>-</u>	<u>-</u>	<u>880,846</u>
Financial assets - not measured at fair value									
Balances with banks	19.1	-	12,896	-	12,896	-	-	-	-
Investments - unlisted	19.1	947	-	-	947	-	-	-	-
Receivable against investments - (net)	19.1	-	5,237	-	5,237	-	-	-	-
Receivable on issuance and conversion of units	19.1	-	1,533	-	1,533	-	-	-	-
Dividend receivable	19.1	-	2,630	-	2,630	-	-	-	-
Deposits and other receivables	19.1	-	2,677	-	2,677	-	-	-	-
		<u>947</u>	<u>12,077</u>	<u>12,896</u>	<u>25,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>881,793</u>	<u>12,077</u>	<u>12,896</u>	<u>906,766</u>	<u>880,846</u>	<u>-</u>	<u>-</u>	<u>880,846</u>
Financial liabilities - not measured at fair value									
Payable to Al Meezan Investment Management Limited - Management Company	19.1	-	-	6,773	6,773	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	19.1	-	-	160	160	-	-	-	-
Payable to Meezan Bank Limited	19.1	-	-	265	265	-	-	-	-
Payable on redemption and conversion of units	19.1	-	-	117	117	-	-	-	-
Accrued expenses and other liabilities	19.1	-	-	3,295	3,295	-	-	-	-
Dividend payable	19.1	-	-	45	45	-	-	-	-
		<u>-</u>	<u>-</u>	<u>10,655</u>	<u>10,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

19.1 The Fund has not disclosed fair value 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 90 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 sufficient income of the Fund for the year ended 30 June 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. PERFORMANCE TABLE

	2016	2015	2014	2013	2012
Net assets (Rs in '000) (ex-distribution)*	881,629	1,159,323	1,176,027	901,404	289,484
Net assets value / redemption price per unit as at 30 June 2016 (Rs.) (ex-distribution)*	78.91	71.7	62.83	57.56	48.83
Offer price per unit as at 30 June 2016 (Rs.) (ex-distribution)*	81.00	73.79	64.68	59.27	50.12
Highest offer price per unit (Rs.)	85.05	77.64	79.69	79.42	51.49
Lowest offer price per unit (Rs.)	65.44	61.18	59.09	52.15	48.82
Highest redemption price per unit (Rs.)	82.86	75.44	77.41	77.12	50.17
Lowest redemption price per unit (Rs.)	63.75	59.45	57.40	50.64	47.57
Distribution (%)	4.70	3.70	19.60	31.00	-
Date of distribution	24 June 2016	July 3, 2015	May 30, 2014	July 8, 2013	-
Growth distribution (Rupees in '000)	24,604	-	123,028	191,234	-
Total return (%)	13.00	17.1	26.50	49.62	(2.34)
Average annual return (%) as at 30 June 2016	One Year 13.00%	Two Year 15.03%	Three Year 18.73%	Four Year 25.80%	Five Year 19.59%

Investment portfolio composition of the Fund as described in Note 5.

22. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoab	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	Head of Research	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

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

- Meezan Balanced Fund
- Meezan Tahaffuz Pension Fund

23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 3, 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
Mr. 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

24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

		2016
		%
Broker's Name		
1	BMA Capital Management. Limited	10.45
2	Aba Ali Habib Securities (Private) Limited	9.70
3	Elixir Securities Pakistan (Private) Limited	8.48
4	Optimus Capital Management Limited	7.47
5	Foundation Securities (Private) Limited	7.30
6	Ample Securities Limited	6.94
7	Topline Securities (Private) Limited	6.03
8	Fortune Securities (Private) Limited	6.03
9	Global Securities Pakistan Limited	5.89
10	Invest & Finance Securities Limited	5.34
		2015
Broker's Name		%
1	Optimus Capital Management Limited	14.92
2	Taurus Securities Limited	14.08
3	Foundation Securities (Private) Limited	13.53
4	Elixir Securities Pakistan (Private) Limited	7.58
5	Arif Habib Limited	7.08
6	Topline Securities (Private) Limited	6.35
7	Shajar Capital Pakistan (Private) Limited	6.02
8	Aba Ali Habib Securities (Private) Limited	5.84
9	Standard Capital Securities (Private) Limited	5.70
10	Fortune Securities (Private) Limited	5.06

25. PATTERN OF UNIT HOLDING

As at June 30, 2016

	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	392	274,729	31.16
Associated companies / directors	3	479,190	54.35
Retirement funds	5	59,822	6.79
Private limited companies	4	67,888	7.70
	404	881,629	100.00

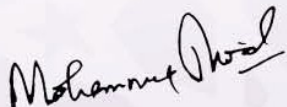
As at June 30, 2015

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

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 Shoab, 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	%
Associated Companies		
Al Meezan Investment Management Limited	3,529,375	31.59
Meezan Bank Limited	2,113,224	18.91
Chief Executive		
Mr. Mohammad Shoaib, CFA	430,005	3.85
Executives	2,590	0.02
Individuals	3,478,941	31.14
Retirements Funds	758,091	6.79
Private Limited Companies	860,311	7.70
Total	11,172,537	100.00



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