

DIGNIFIED PROFITS



ANNUAL
REPORT
2016





Annual Report 2016

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Vision

To make Shariah compliant investing a first choice for investors



Mission

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY OF THE FUNDS

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

Income Funds

- Meezan Islamic Income Fund
- Meezan Sovereign Fund

Money Market Fund

- Meezan Cash 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.

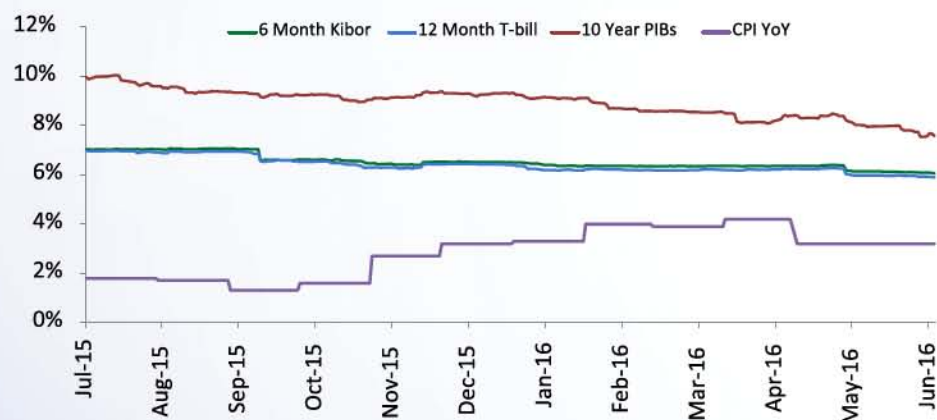
Inflation for FY 16 clocked in at 2.86%. The declining trend in international oil and commodity prices are expected to keep the inflation in check with SBP's forecast for FY17 in the range of 4.5% to 5.5%.

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

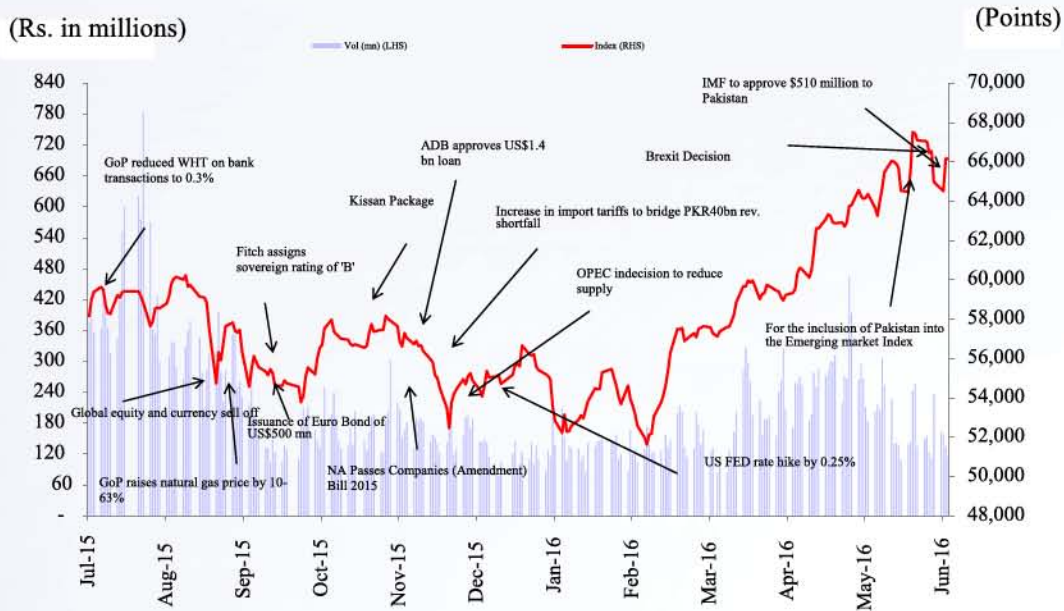
During FY16, Power and Cement remained the best performing sectors. The stocks which remained the largest contributors to the index during the period were:

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 خوشی محسوس کر رہا ہے۔

آگم فنڈز

- میزان اسلامک آگم فنڈ
- میزان سوورن فنڈ

منی مارکیٹ فنڈ

- میزان کیش فنڈ

اقتصادی جائزہ:

تجزیہ 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 بیل 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 نزم مالی موقف پر قائم و برقرار رکھا جس کے ذریعے شرح رعایت (ڈسکاؤنٹ ریٹ) 5.75% کی سطح پر لائی گئی جو کہ مالی سال 2016ء میں مجموعی طور پر 75bps کم کی گئی۔ یہ جاری مالیاتی آسانی و سہولت، نجی شعبے کی جانب سے قرضہ جات اٹھانے کیلئے حوصلہ افزا رہی جو کہ مالی سال 2016ء کے دوران بڑھ کر 331.2 ارب روپے ہو گئی جو گزشتہ سال 223 ارب روپے تھی۔ حکومت نے بھی شرح مبادلہ کے استحکام کے حصول میں کافی اچھی کارکردگی کا مظاہرہ کیا ہے جس کے ذریعے روپے کی قدر میں محض 2.92% کی کمی دیکھی گئی جبکہ اس خطے میں دیگر کرنسیز زیادہ طیران پذیر رہی ہیں۔ ملک کے ٹیکس نیٹ کو وسیع کرنے کے حکومتی اقدامات پر اگرچہ کاروباری برادری کی طرف سے ملاحظہ و 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۔

تجزیہ 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 احیا 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 فیسیلٹی (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 اجرا 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 موقف 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 کر دی اور اسے 6.25% (اور ٹارگٹ پالیسی ریٹ کو 5.75%) کی ریکارڈ کمی تک لے آیا۔ اسٹیٹ بینک کے مطابق، کم افراط زر اور ملک کی اطمینان بخش بیرونی کھاتے کی صورتحال نے اس شرح رعایت میں کمی کیلئے ڈھال فراہم کی۔ مالی سال 2016ء میں مجموعی ڈسکاؤنٹ ریٹ 75bps کم ہوا جو کہ گزشتہ مالی سال 2015ء میں 300bps سے کم ہوا۔ مالیاتی منظر نامے کی مطابقت میں شرح منافع اور ثانوی بازار میں گورنمنٹ پیپرا 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 جانب سے 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 T.Bills، 12 عدد PIBs نیلام بھی کیے گئے؛ 4.6 کھرب روپے مجموعی طور پر 8.9 کھرب روپے کی ٹی بلز میں شرکت کے عوض قبول کیے گئے اور مالی سال 2016 میں PIBs میں لگ بھگ 924 ارب روپے کی شرکت کے عوض 2.5 کھرب روپے قبول کئے گئے۔

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

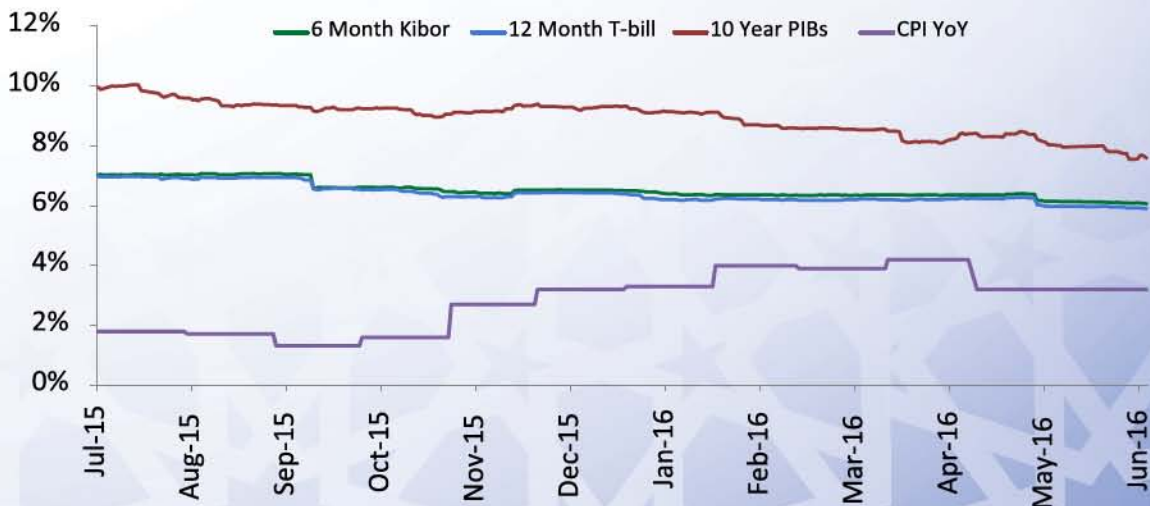
بازار زر کا شریعہ سے ہم آہنگ سراء، جسے سرمایہ کاری کے مواقع کی قلت کے سبب زریالی کی بہتات کے مسئلے کا سامنا ہے کو تھوڑا سکون اس وقت مینٹر آیا جب حکومت نے اسلامی اوپن مارکیٹ آپریشنز یعنی او ایم او/ اجارہ صکوک 13 تا 9 جونو مبر 2015ء میں پختہ ہوئے؛ کیلئے بیج متجل، ان بیج متجل نے مجموعی طور پر اسلامی بینکس کی جانب سے 225 ارب روپے کی شرکت ظاہر کی جس کے مقابلے میں اسٹیٹ بینک نے ایک سال کے ضمن میں 209 ارب روپے مالیت کی بولیوں کو قبول کیا اور بازار کو ضمنی اجارہ صکوک کے پختہ ہونے پر بہت بڑے زریالی کی سراعیت کر جانے سے بچالیا۔ ایک اور بیج متجل 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 بہ مقابلہ شرکت 32 ارب روپے کے۔

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

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

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

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



بازارِ 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 فرنٹیئر 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 و امان 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 شگون سے شروع ہوا؛ اس بلندی کو ایک ماہانہ سی پی آئی نمبر میں کمی اور بعد ازاں متوقع مالیاتی نرمی، بڑھتے ہوئے زرمبادلہ کے ذخائر اور حکومت کے خلاف انتخابات میں دھاندلی کے الزامات کو عدالتی کمیشن کے برخاستگی سے منسوب کیا جاتا ہے۔ تاہم چینی معیشت کی شرح نمو میں کمی نے تمام بین الاقوامی اسٹاک ایکسچینجز میں غیر یقینی کی لہر کو دوڑا دیا کیونکہ بین الاقوامی سرمایہ کار عالمی معیشت میں مندی کے خوف سے ہچکچاہٹ کا شکار ہو گئے؛ پاکستان کی اسٹاک مارکیٹ سے سرمایہ کاری کا باہر چلا جانا بھی اسی کا شاخسانہ تھا اور یہی کچھ تمام اُبھرتی مارکیٹس میں ہوا۔ بعد میں امریکی فیڈ رل ریزرو ریٹ میں چڑھاؤ سے متعلق توقعات (جو اس دہائی میں پہلی بار دسمبر میں 25bps میں اضافے کی شکل میں نمودار ہوا) نے مارکیٹ کو غیر مستحکم رکھا کیونکہ اس نے بین الاقوامی سرمایہ کاروں کو اپنے سرمایہ کاری کے محفظے (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 بنیاد 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 مستزاد 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 یا اصلاح MSCI فرنٹیئر 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 زیر جائزہ عرصے کے دوران، بالآخر، ہینچ 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

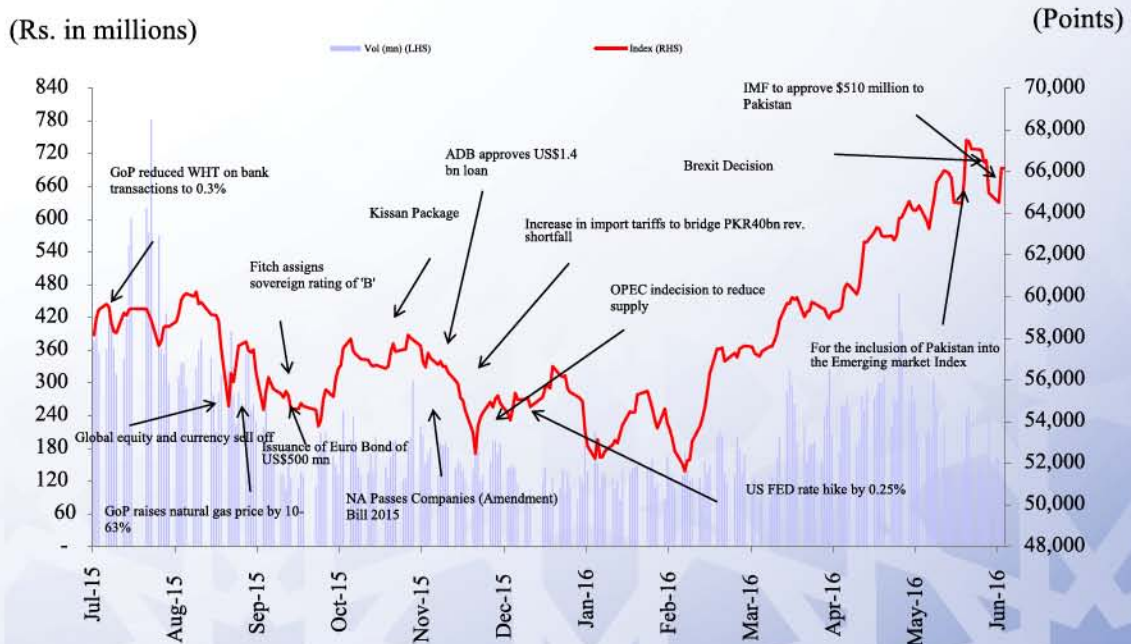
مالی سال 2016ء کے دوران، توانائی اور سیمنٹ کے ادارے بہترین کارکردگی والے شعبہ جات تھے۔ اس عرصے کے دوران، بہترین کارکردگی والے شرکت دار یہ تھے:

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 کا ریکارڈ کیا گیا جس میں نمایاں ایچ بی ایل، یو بی ایل اور ایم سی بی تھے۔ بعد ازاں آئل اینڈ گیس ایکسپلوریشن میں 121 ملین ڈالر کا اخراج رہا جبکہ فریٹلائزر میں غیر ملکی فروخت 48 ملین امریکی ڈالر، ٹیکسٹائل سیکٹر میں 32 ملین امریکی ڈالر جبکہ ٹیکنالوجی اور کیونٹیکیشن میں 5 ملین امریکی ڈالر کی آمد دیکھی گئی۔ این بی ایف سیز کمپنیز اور انفرادی، میوچل فنڈز، اور دوسری آرگنائزیشنز علی الترتیب 188 ملین امریکی ڈالر، 127 ملین امریکی ڈالر، 39 ملین امریکی ڈالر اور 40 ملین امریکی ڈالر کے ساتھ خالص خریدار رہے کمپنیز، بینکرز اور پینکس علی الترتیب 84 ملین امریکی ڈالر، 22 ملین امریکی ڈالر اور 6 ملین امریکی ڈالر کے ساتھ نیٹ سیلرز رہے۔

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

MSCI کی 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، فنڈ ٹریڈنگ ایمرجنگ مارکیٹس کا حجم فرنیچر مارکیٹس کے حجم سے کافی زیادہ ہے اور توقع ہے کہ آنے والے سالوں میں پاکستان کو 600-500 ملین امریکی ڈالر کا بیرونی سرمایہ کا بہاؤ دلائے۔ اپریل 2016ء تک 359 ملین امریکی ڈالر کی بیرونی آؤٹ فلو کے بعد، مالی سال کے آخری دو ماہ میں 78 ملین امریکی ڈالر کی بڑی آمد MSCI کی 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 454 ارب روپے ہونے کا مشاہدہ کیا۔ اسلامی فنڈز زیر جائزہ عرصے کے دوران 136 ارب روپے ہو گیا جو 25.7% اضافہ ہے جس سے میوچل فنڈ انڈسٹری میں اسلامی فنڈز کے حصے میں 30% اضافہ ہو گیا۔ جون 2016ء کے اختتام پر المیز ان کا میوچل فنڈ انڈسٹری میں مجموعی حصہ 15.7% ہے جبکہ یہ مجموعی حصہ پچھلے سال 14.8% تھا۔ المیز ان نے جون 2016ء کے اختتام پر 52.4% شیئرز کے ساتھ انڈسٹری میں اپنے قائدانہ کردار کو برقرار رکھا۔

خالص اثاثہ جات کے لحاظ سے، بازار زراور انکم فنڈز نے جون 2016 کو ختم ہونے والے مالی سال کے دوران جسامت 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) فنڈز نے اس کیٹیگری میں 1.9% اضافہ اور اسلامی فنڈز میں 15.7% اضافہ کیا۔

اوپن اینڈ ایکویٹی فنڈز (بشمول کیپٹل پروٹیکٹڈ، بیلسنڈ، انڈیکس ٹریڈر اور ایسیٹ ایلیکشن) جون 2016ء کے مطابق 215 ارب روپے سے 14.6% بڑھ گیا جو 30 جون 2015ء پر مقابلاً 188 ارب روپے تھا۔ اس کیٹیگری میں روایتی فنڈز میں 4.4% اضافہ رہا جبکہ اسلامک ایکویٹی میڈ فنڈز نے زیر جائزہ عرصے میں 38.1% کا معقول اضافہ ظاہر کیا اور 84 ارب روپے پر قائم رہا۔

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

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

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

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

کارکردگی کا جائزہ (پنشن فنڈز):

درج ذیل جدول میزان تحفظ پنشن فنڈ (MTPF) کے زیر انتظام اثاثہ جات، کل پنشن فنڈز اور اسلامک پنشن فنڈز کی گزشتہ پانچ سالوں کی کارکردگی کی مکمل تصویر کشی کرتا ہے: یہ ظاہر کرتا ہے کہ میزان تحفظ پنشن فنڈ (MTPF) پنشن فنڈز 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 نئے مالی سال میں مارکیٹ کی کارکردگی میں ایک عمل انگیز کاردارا 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 منغلز میں بہتری اور جاری چائنا پاکستان اکنامک کارڈور کی ترقی سے امید ہے کہ حصص کو مستحکم کرے اور طویل مدت تک ترقی کا باعث بنے۔ کموڈیٹیز 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۔

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

آڈیٹرز:

موجودہ آڈیٹرز M/S KPMG Taseer Hadi & Co. چارٹرڈ اکاؤنٹنٹس سبکدوش 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 یونٹ کی خرید و فروخت حسب ذیل رہی:

TRADES BY	DESIGNATION	MIF		MIIF		MCF		MSF		MBF		MGF	
		NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED	NO. OF UNITS INVESTED	NO. OF UNITS REDEEMED
Mr. Ariful Islam	Chairman	23,412	-	-	39,193	-	-	-	-	-	-	-	-
Mr. Mohammad 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

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

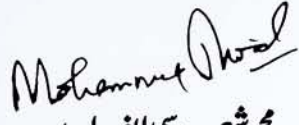
بورڈ کے اجلاس

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

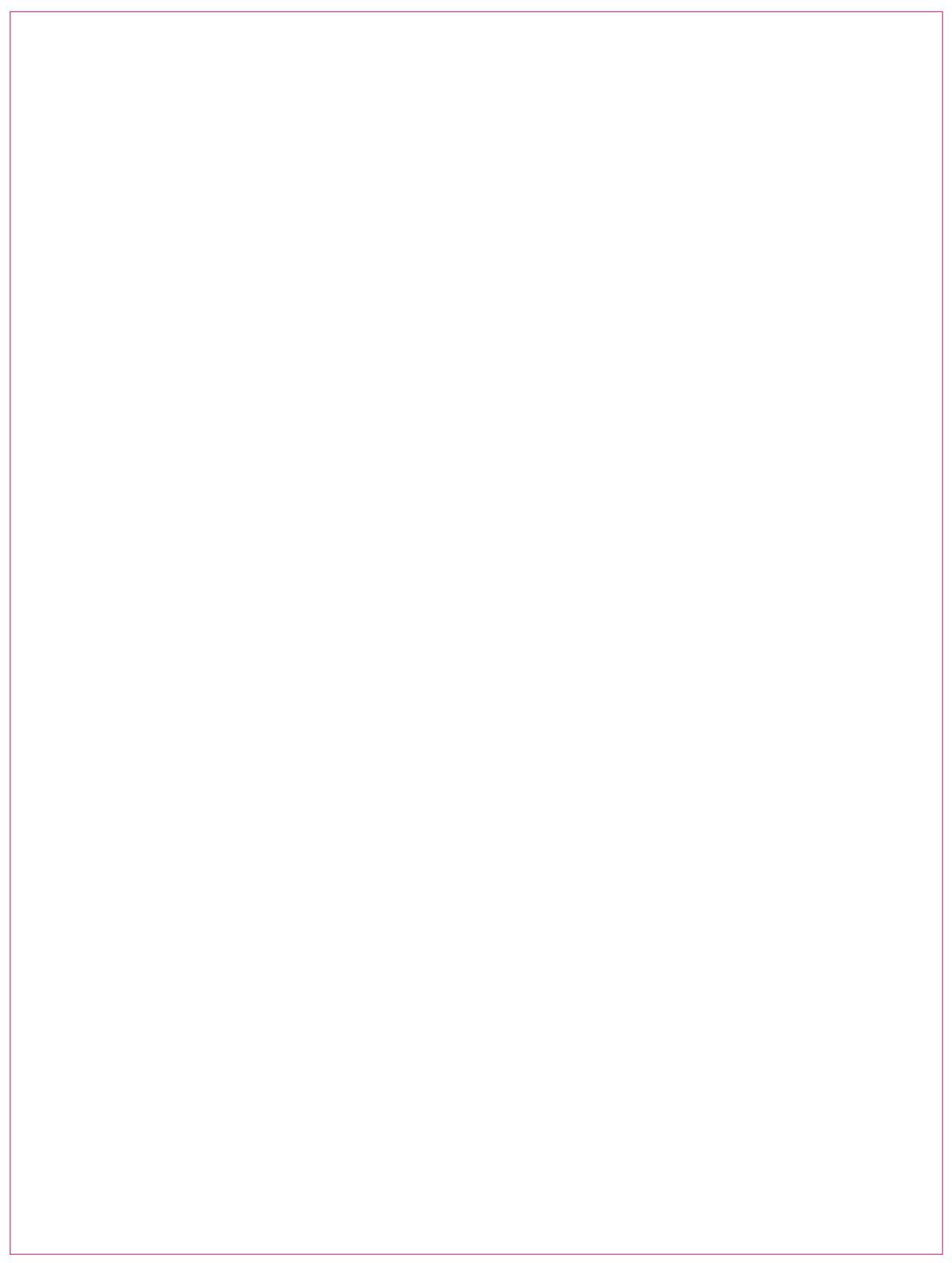
اعتراف و اظہار تشکر:

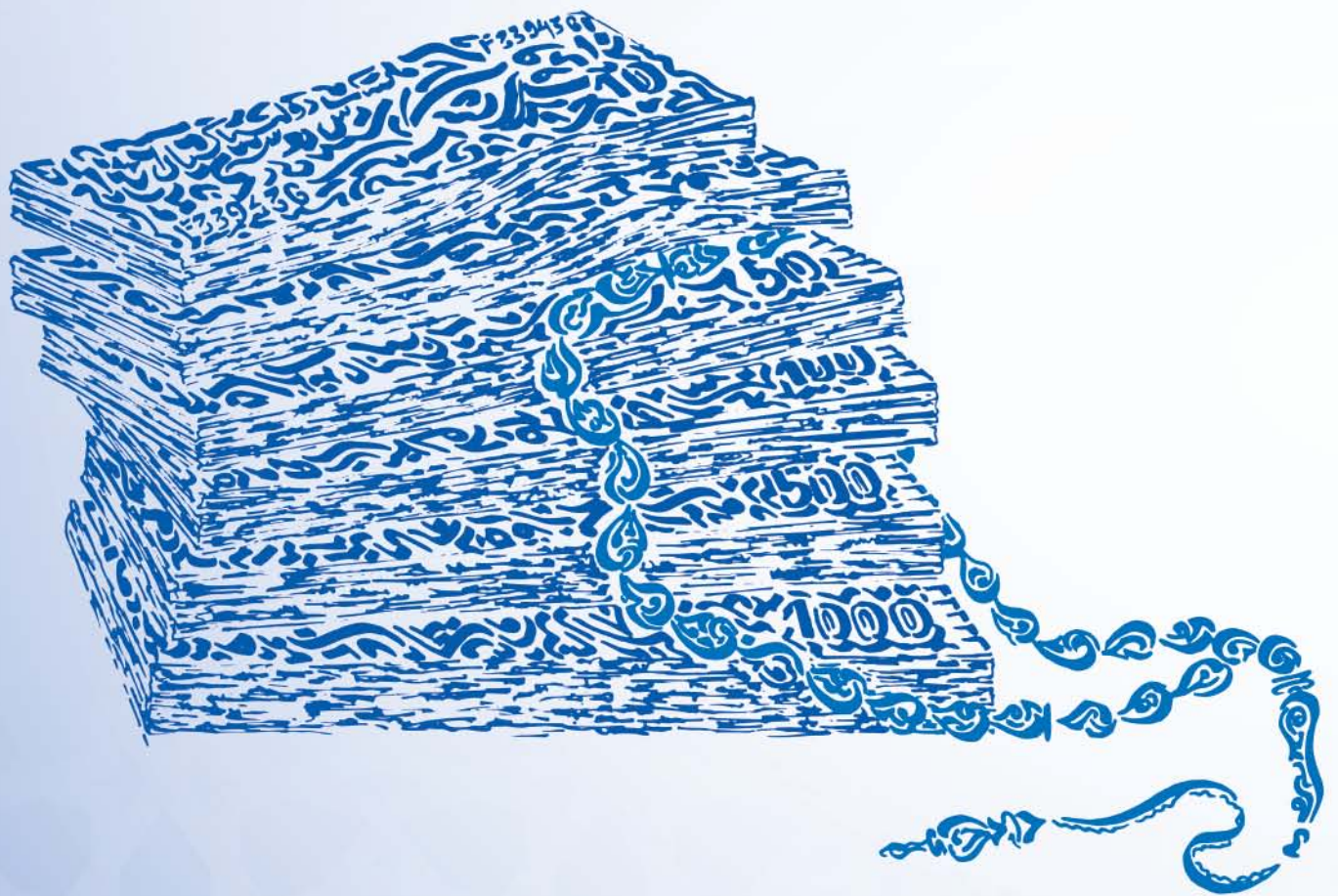
ہم اس موقع کو غنیمت جانتے ہوئے اپنے قابل احترام سرمایہ کاروں کا تہ دل سے شکریہ ادا کرتے ہیں جنہوں نے المیزان انویسٹمنٹس پر اپنے اعتماد کا بھرپور مظاہرہ کرتے ہوئے اُسے پاکستان میں نجی شعبے میں اثاثہ جات کی انتظام کاری کرنے والا سب سے بڑا ادارہ بنا دیا ہے۔ ہم ضابطہ کار ادارے، سکیورٹیز اینڈ ایکسچینج کمیشن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

برائے و بجانب بورڈ


محمد شعیب، سی ایف اے
چیف ایگزیکٹو آفیسر

مورخہ 31 اگست 2016ء







Meezan Islamic Income Fund

Meezan Islamic Income Fund is Pakistan's first Shariah compliant income fund scheme. The purpose of Meezan Islamic Income Fund is to provide investors with a safe and stable stream of Halal income on their investments and to generate superior long term risk adjusted returns.

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 Shoab, 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 Shoab, 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 - Islamic Banking
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

REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2016

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

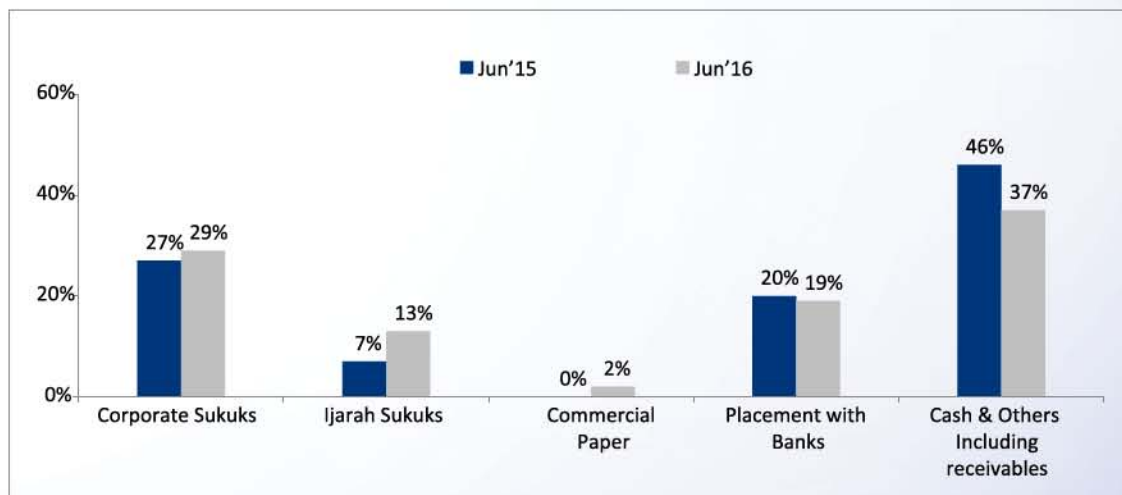
The Fund's primary objective is to provide investors with a competitive and stable rate of current income in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide the investors with a rate of total return consistent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

Strategy, Investment policy and asset allocation

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

During the year, the focus was on proactive and continuous reallocation between high yield instruments, so as to maximize fund yield, while maintaining a balance within the risk management constraints. In this connection, the fund's excess liquidity was deployed in government Ijarah Sukuks (to take advantage of price appreciation) as well as corporate Sukuks of high credit quality. Term Deposits were also placed in order to lock in relatively higher rates in a declining interest rate market.

Sector Allocation as on June 30, 2015 and 2016



Performance Review

During FY16, Meezan Islamic Income Fund (MIIF) provided a full year return of 5.76% as compared to its benchmark return of 3.49%. The fund manager remained on a continuous look out for deployment opportunities in high quality corporate Sukuks and investments were made in Sukuks issued by companies in the fertilizer and Oil sector during the year. With the SBP continuing on its monetary easing stance, Term placements having tenors of six months or above were also made whenever possible in order to lock in higher profit rates. The fund has three non performing Sukuks currently (Sukuks of Eden Housing Limited, Security Leasing Company Limited and Arzoo Textile Mills Limited) but it is pertinent to note that these stand fully provided for; a case for Arzoo Textile Mills Limited Sukuks is already under contestation in the courts, for Eden Housing Limited, Bank Islami is currently in the process of filing

a case against the company since rescheduling terms could not be agreed and for Security Leasing Company Limited, negotiations have not been very fruitful so it appears that the most likely way forward will be procession of legal proceedings against the company but the Sukuks holders are yet to reach a conclusion on the matter. As at year end, the fund was invested 29% in Islamic Corporate Sukuks, 13% in GoP Ijarah Sukuks, 19% in Islamic Bank Placements and others 37% in Islamic Bank Deposits.

The Fund earned a gross income of Rs. 648.07 million, which was primarily due to profit on Sukuks certificates amounting worth Rs. 214.77 million. Profit on saving accounts at Islamic banks including profit on term deposit receipts contributed Rs. 355.13 million, while realized gain on sale of Sukuks certificates was Rs. 51.37 million. On the other side, the fund incurred unrealized appreciation worth Rs. 24.37 million. The fund also incurred expenses totalling to Rs. 186.99 million and element of loss and capital loss included in prices of units issued and less those in units redeemed of Rs. 139.82 million, which brought the net income figure to Rs. 321.27 million. The net assets of the Fund as at June 30, 2016 were Rs. 9,051.42 million as compared to Rs. 4,263.00 million at the end of last year. The net asset value per unit as at June 30, 2016 was Rs. 51.28 as compared to Rs. 54.25 (cum dividend) per unit as on June 30, 2015.

	MIIF	Islamic Banks deposits
Net Asset Value as on June 30, 2015	54.252	
Net Asset Value as on June 30, 2016	51.281	
Return for the year	5.76%	3.49%
Outperformance	2.27%	

Fund Rating

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

Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2016 was Rs. 2.50 per unit (5%). Total distribution made by the fund was Rs. 245.3 million.

Breakdown of unit holdings by size:

(As on June 30, 2015)

Range (Units)	No. of Investors
1 - 9,999	2,304
10,000 - 49,999	975
50,000 - 99,999	178
100,000 - 499,999	132
500,000 and above	48
Total	3,637



Meezan Bank
The Premier Islamic Bank

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

August 03, 2016/Shawwal 28, 1437

Alhamdulillah, the period from July 01, 2015 to June 30, 2016 was the tenth year of operations of Meezan Islamic Income Fund (MIIF) under management of Al Meezan Investment Management Limited (AMIM). We Meezan Bank Limited are the *Shari'ah* Advisors of the Fund and are issuing the report in accordance with clause 7.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MIIF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MIIF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MIIF for the year ended June 30, 2016 have been in compliance with *Shari'ah* principles.

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

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC INCOME FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Income Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the board.
8. The meetings of the board were presided over by the Chairman, and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two members of the Board of Director of the Management Company are exempt from the requirements of the Directors' Training Program as per the proviso to clause 5.19.7 of the CCG, whilst the three Board members have completed their Directors' certification programs from institutes meeting the criteria specified by the Securities & Exchange Commission of Pakistan.

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



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



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

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

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

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

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

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

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

Date: 31 AUG 2016

Karachi

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

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



KPMG Taseer Hadi & Co.
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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 Income Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2016, and the related income statement and statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

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



KPMG Taseer Hadi & Co.



Report on Other Legal and Regulatory Requirements

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

Date: 31 AUG 2015

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Malik

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Assets			
Balance with banks	4	2,505,300	2,559,304
Investments	5	6,098,995	3,209,537
Receivable on issuance and conversion of units		858,248	-
Deposits, prepayments and other receivables	6	85,746	96,081
Total assets		9,548,289	5,864,922
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	65,583	35,897
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	734	472
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	6,220	4,761
Payable to Meezan Bank Limited (MBL)		1,234	350
Payable on redemption and conversion of units		337,862	1,509,505
Accrued expenses and other liabilities	10	85,239	50,937
Total liabilities		496,872	1,601,922
Net assets		9,051,417	4,263,000
Contingencies and commitments	11		
Unitholders' fund (as per statement attached)		9,051,417	4,263,000
(Number of units)			
Number of units in issue	13	176,505,403	78,577,810
(Rupees)			
Net assets value per unit		51.28	54.25

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			
Profit on saving accounts with banks		238,021	296,271
Profit on term deposit receipts		117,108	57,423
Profit on sukuk certificates		214,767	235,956
Net realised gain on sale of sukuk certificates		51,371	23,717
Other income		2,435	1,812
		623,702	615,179
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.1.1 & 5.1.3	24,368	22,291
Reversal against sukuk certificates		-	169
		24,368	22,460
Total income		648,070	637,639
Expenses			
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7.1	124,733	95,226
Sindh Sales Tax and Federal Excise Duty on Management Fee	7.2 & 7.3	40,216	31,826
Allocated expenses	7.4	4,937	-
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	7,417	6,044
Sindh Sales Tax on Trustee Fee	8.1	1,038	-
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	6,220	4,761
Auditors' remuneration	14	556	504
Fees and subscription		747	296
Legal and professional charges		165	-
Brokerage expense		561	373
Bank and settlement charges		192	111
Provision for Workers' Welfare Fund (WWF)	12	-	6,556
Printing expense		203	-
Total Expenses		186,985	145,697
Net income from operating activities		461,085	491,942
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)		(139,817)	(170,726)
Net income for the year before taxation		321,268	321,216
Taxation	19	-	-
Net income for the year after taxation		321,268	321,216
Other comprehensive income for the year		-	-
Total comprehensive income for the year		321,268	321,216

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

	Note	2016 (Rupees in '000)	2015
Undistributed income / accumulated (loss) brought forward			
- Realised		308,543	88,966
- Unrealised		22,460	(79,179)
		331,003	9,787
Final distribution for the year ended June 30, 2015			
- cash dividend: @ 6.80% i.e. Rs. 3.40 per unit (June 30, 2014: nil)		(267,165)	-
Interim distribution for the period ended June 30, 2016			
- cash dividend: @ 5.00% i.e. Rs. 2.50 per unit (June 30, 2015: nil)		(245,305)	-
Total distribution		(512,470)	-
Net income for the year		321,268	321,216
Undistributed income carried forward		139,801	331,003
Undistributed income carried forward			
- Realised		115,433	308,543
- Unrealised	5.1.1 & 5.1.3	24,368	22,460
		139,801	331,003

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

	Note	2016 (Rupees in '000)	2015
Net assets at beginning of the year		4,263,000	4,918,355
Issuance of 588,168,624 units (June 30, 2015: 198,617,727 units)		30,903,259	10,364,960
Issuance of 8,805,074 units for re-investment of cash dividend (June 30, 2015: nil)		449,451	-
Redemption of 499,046,105 units (June 30, 2015: 218,082,961 units)		(26,512,908)	(11,512,257)
		4,839,802	(1,147,297)
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)		139,817	170,726
Net realised gain on sale of sukuk certificates		51,371	23,717
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.1.1 & 5.1.3	24,368	22,460
Other net income for the year		245,529	275,039
Total comprehensive income for the year		321,268	321,216
Final distribution for the year ended June 30, 2015 - cash dividend: @ 6.80% i.e. Rs. 3.40 per unit (June 30, 2014: nil)		(267,165)	-
Interim distribution for the period ended June 30, 2016 - cash dividend: @ 5.00% i.e. Rs. 2.50 per unit (June 30, 2015: nil)		(245,305)	-
Total distribution		(512,470)	-
Net income for the year less distribution		(191,202)	321,216
Net assets at end of the year		9,051,417	4,263,000
		(Rupees)	
Net assets value per unit as at beginning of the year		54.25	50.17
Net assets value per unit as at end of the year		51.28	54.25

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

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


Mohammad Shoib, CFA
Chief Executive


Mazhar Sharif
Director

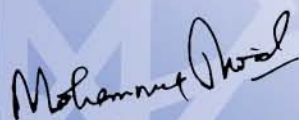
CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		321,268	321,216
Adjustments for:			
Unrealised appreciation on re-measurement of 'investments at fair value through profit or loss' (net)	5.1.1 & 5.1.3	(24,368)	(22,291)
Reversal against sukuk certificates		-	(169)
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)		139,817	170,726
		436,717	469,482
(Increase) / decrease in assets			
Investments (net)		(2,865,090)	(1,570,966)
Deposits, prepayments and other receivables		10,335	(25,106)
		(2,854,755)	(1,596,072)
Increase in liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		29,686	20,007
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		262	73
Payable to Securities and Exchange Commission of Pakistan (SECP)		1,459	2,060
Payable to Meezan Bank Limited (MBL)		884	238
Accrued expenses and other liabilities		34,302	10,747
		66,593	33,125
Net cash used in operating activities		(2,351,445)	(1,093,465)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		30,045,011	10,364,960
Receipts against re-investment of cash dividend		449,451	-
Payments against redemption and conversion of units		(27,684,551)	(10,009,891)
Dividend paid		(512,470)	(983)
Net cash generated from financing activities		2,297,441	354,086
Net decrease in cash and cash equivalents during the year		(54,004)	(739,379)
Cash and cash equivalents at beginning of the year		2,559,304	3,298,683
Cash and cash equivalents at end of the year	4	2,505,300	2,559,304

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 Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) notified through S.R.O. 1203 (I) / 2008 on November 21, 2008. The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalize on exceptional returns if available at any given point of time. Under the Trust Deed all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is listed on the 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 Open End Shariah Compliant (Islamic) Income Scheme in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP).
- 1.4** The Fund has been given a stability rating of A-(f) by JCR - VIS Credit Rating Company Limited. The Management Company of the Fund has been given quality rating of AM2++ by JCR - VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are in the name of CDC as the Trustee of the Fund.

2. BASIS OF PRESENTATION

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

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

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

- (a) Classification and valuation of financial instruments including discretionary discounts (notes 3.1 and 5)
- (b) Impairment of financial instruments (note 3.1.6)
- (c) Recognition of provision for Workers' Welfare Fund (note 12); and
- (d) Taxation (note 3.7 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 IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

These amendments will not have an impact on the Fund's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

3.1.1 Classification

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

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

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

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

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

(b) Loans and receivables

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

(c) Available for sale

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

3.1.2 Regular way contract

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

3.1.3 Recognition

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

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

3.1.4 Measurement

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

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

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

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

3.1.5 Fair value measurement principles and provisions

The fair value of financial instruments is determined as follows:

Basis of valuation of government securities

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

Basis of valuation of debt securities

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

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

3.1.6 Impairment

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

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

3.1.7 Derecognition

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

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

3.1.8 Offsetting of financial instruments

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

3.2 Unitholders' fund

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

3.3 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net assets value of the units as of the close of that business day plus the allowable sales

load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

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

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

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

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

3.5 Provisions

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

3.6 Net assets value per unit

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

3.7 Taxation

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

Current

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

Deferred

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

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

3.7.1 The income of the Fund is exempt from income tax under clause 99 of Part I 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).

3.8 Revenue recognition

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

3.9 Expenses

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

3.10 Earnings per unit

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

3.11 Cash and cash equivalents

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

3.12 Distribution

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

4. BALANCE WITH BANKS

	Note	2016 (Rupees in '000)	2015
On saving accounts	4.1	2,488,524	2,554,137
On current accounts		16,776	5,167
		2,505,300	2,559,304

4.1 The balance in saving accounts have an expected profit ranging from 2.50% to 6.10% per annum (2015: 3.79% to 7.00% per annum).

5. INVESTMENTS

	Note	2016 (Rupees in '000)	2015
Investments - 'at fair value through profit or loss'	5.1	3,337,995	2,030,537
Investments - 'loans and receivables'	5.2	2,761,000	1,179,000
		6,098,995	3,209,537

5.1 Investments 'at fair value through profit or loss'

- Held for trading	5.1.1	1,278,746	420,186
- Investments at fair value upon initial recognition	5.1.3	2,059,249	1,610,351
		3,337,995	2,030,537

5.1.1 Held for trading - Sukuk certificates

Name of the security	Maturity date	Profit rate	As at July 01, 2015	Purchases during the year	Sales / maturity during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain as at June 30, 2016	Percentage of market value of investments
			----- (Number of certificates) -----			----- (Rupees in '000) -----			----- % -----	
GoP Ijarah Sukuk Certificates - IX (note 5.1.2)	November 21, 2015	Weighted average 6 months T-Bills	3,170	-	3,170	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XII (note 5.1.2)	November 21, 2015	Weighted average 6 months T-Bills	1,000	-	1,000	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XVI (note 5.1.2)	December 18, 2018	Weighted average 6 months T-Bills	-	36,000	35,660	340	34,000	34,269	269	0.56
GoP Ijarah Sukuk Certificates - XVII (note 5.1.2)	February 15, 2019	Weighted average 6 months T-Bills	-	13,250	1,000	12,250	1,229,955	1,244,477	14,522	20.40
Total							1,263,955	1,278,746	14,791	
Total cost of investments							1,263,955			

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

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

Name of the security	Maturity date	Profit rate	As at July 01, 2015	Purchases during the year	Sales / redemptions during the year	As at June 30, 2016	*Carrying value as at June 30, 2016	*Market value as at June 30, 2016	Unrealised gain/(loss) as at June 30, 2016	Percentage of market value of investments
			----- (Number of certificates) -----			----- (Rupees in '000) -----			----- % -----	
Arzoo Textile Mills Limited (note 5.1.4, 5.1.6 & 5.1.8) *	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	14,000	-	-	-	-
Eden Housing Limited (note 5.1.5, 5.1.6 & 5.1.8) *	September 29, 2014	6 months Kibor plus base rate of 2.5%	59,400	-	-	59,400	-	-	-	-
Security Leasing Corporation Limited II (note 5.1.4, 5.1.7 & 5.1.8) *	January 19, 2022	Nil	3,081	-	-	3,081	-	-	-	-
Maple Leaf Cement Factory Limited (note 5.1.4) (A, PACRA)	December 3, 2018	3 months Kibor plus base rate of 1.70%	27,464	-	27,464	-	-	-	-	-
Engro Fertilizer Limited (note 5.1.4) (A+, PACRA)	September 1, 2015	6 months Kibor plus base rate of 1.5%	17,750	-	17,750	-	-	-	-	-
Engro Fertilizer Limited (note 5.1.4) (AA-, PACRA, traded)	July 9, 2019	6 months Kibor plus base rate of 1.75%	82,875	-	4,250	78,625	407,376	407,407	31	6.68
Hascol Petroleum Limited (note 5.1.4) (AA-, JCR-VIS, traded)	January 06, 2022	3 months Kibor plus base rate of 1.50%	-	60,000	-	60,000	300,000	309,675	9,675	5.08
K-Electric Limited (sukuk 2) (note 5.1.4) (AA, JCR-VIS, non-traded)	March 19, 2017	3 months Kibor plus base rate of 2.25%	35,600	-	-	35,600	182,621	177,649	(4,972)	2.91
K-Electric Limited (sukuk 4) (note 5.1.4) (AA+, JCR-VIS, non-traded)	June 17, 2022	3 months Kibor plus base rate of 1.00%	160,000	70,000	-	230,000	1,159,675	1,164,518	4,843	19.09
Total							2,049,672	2,059,249	9,577	
Total cost of investments								3,054,904		

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

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

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

5.1.6 On May 6, 2011, Eden Housing Limited and on January 02, 2010, Arzoo Textile Mills Limited sukuk certificates have been classified as non-performing by MUFAP. Therefore in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs 58.472 million and Rs. 70 million respectively has also been held as provision against the outstanding principal as at June 30, 2016.

5.1.7 The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore in accordance with the requirement of Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs 15.403 million has also been held as provision against the outstanding principal as at June 30, 2016.

5.1.8 The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (Management Company) classified Meezan Islamic Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at June 30, 2016, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires the rating of any security in the portfolio shall not be lower than the investment grade.

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

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

Note **2016** **2015**
(Rupees in '000)

5.1.9 Provision on sukuk certificates (netted off against investment)

Opening	143,875	144,044
Reversal provision for the year	-	(169)
Closing balance	143,875	143,875

5.2 Investments - loans and receivables

Term deposit receipts - having original maturity of more than 3 months	5.2.1	1,861,000	1,179,000
Sukuk Certificates	5.2.2	900,000	-
		2,761,000	1,179,000

Name of the bank	Maturity date	Profit rate	As at July 01, 2015	Term deposit receipts made during the year	Matured during the year	As at June 30, 2016	Percentage of market value of investments
			----- (Rupees in '000) -----				----- % -----
BankIslami Pakistan Limited	December 29, 2016	6.35	579,000	1,890,000	1,549,000	920,000	15.08
Albaraka Bank (Pakistan) Limited	June 22, 2016 *	6.85	600,000	-	600,000	-	-
Dubai Islamic Bank Pakistan Limited	September 4, 2016	6.50	-	506,000	-	506,000	8.30
Dubai Islamic Bank Pakistan Limited	November 21, 2016	6.50 to 6.25	-	435,000	-	435,000	7.13
Habib Metropolitan Bank Limited	May 02, 2016	6.50	-	250,000	250,000	-	-
			1,179,000	3,081,000	2,399,000	1,861,000	

* The Fund prematured this Term Deposit Receipt on November 11, 2015.

Name of the security	Maturity date	Profit rate	As at July 01, 2015	Purchases during the year	Sales / redemptions during the year	As at June 30, 2016	*Carrying value as at June 30, 2016	*Market value as at June 30, 2016	Unrealised gain/(loss) as at June 30, 2016	Percentage of market value of investments	
			----- (Number of certificates) -----			----- (Rupees in '000) -----				----- % -----	
Engro Fertilizer Limited CP Sukuk (note 5.2.2.1 & 5.2.2.2) (AA-, PACRA)	November 25, 2016	6 months Kibor plus base rate of 0.40%	-	750	-	750	750,000	750,000	-	12.30	
Lalpir Power Limited CP Sukuk (note 5.2.2.1 & 5.2.2.2)	November 04, 2016	6 months Kibor plus base rate of 0.25%	-	70,000	40,000	30,000	150,000	150,000	-	2.46	
Total							900,000	900,000	-		
Total cost of investments							900,000				

5.2.2.1 The nominal value of these sukuk certificates is Rs. 5,000 each except for the CP sukuk of Engro Fertilizer Limited having nominal value of Rs. 1,000,000 each.

5.2.2.2 The securities are carried at face value as per the requirements of Circular 33 of 2012 with respect to thinly and non traded debt securities with residual maturity of upto six months.

6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2016 (Rupees in '000)	2015
Security deposits		2,603	2,603
Prepayments		1,457	417
Profit receivable on saving accounts with banks and Term Deposit Receipts		22,577	64,062
Profit receivable on sukuk certificates		59,109	28,999
		85,746	96,081

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

Management fee	7.1	10,990	7,314
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	50,534	27,339
Sales load		405	408
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	2,920	835
Allocated expenses	7.4	733	-
Certificate charges		1	1
		65,583	35,897

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 1.5 percent of average annual net assets in case of Income Scheme. The remuneration of the Management Company has been charged at the rate of 1.5 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 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 on FED on remuneration

of Management Company with effect from June 13, 2013, aggregating to Rs. 42.71 million (2015: Rs. 23.50 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 Re.0.24 per unit (2015: Re. 0.30 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 assets value of the Fund. The tariff structure is as follows:

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

- 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 income scheme is required to pay an annual fee to the SECP, an amount equal to 0.075% 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 0.06% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.075%. 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 (WWF) payable	12	45,462	45,462
Withholding tax payable		38,781	4,820
Auditors' remuneration		375	375
Printing expenses payable		123	120
Brokerage payable		36	44
Zakat payable		63	28
Shariah advisor fee payable		399	-
Other payable		-	88
		85,239	50,937

11. CONTINGENCIES AND COMMITMENTS

There were no 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 Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

However, decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2015 amounting to Rs.45.46 million. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.26 (0.50%).

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.

13. NUMBER OF UNITS IN ISSUE

13.1 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	78,577,810	98,043,044
Units issued during the year	588,168,624	198,617,727
Units issued against re-investment of cash dividend during the year	8,805,074	-
Units redeemed during the year	(499,046,105)	(218,082,961)
Total units in issue at end of the year	<u>176,505,403</u>	<u>78,577,810</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	297	275
Half yearly review fee	127	120
Other certifications	100	100
Out of pocket expenses	32	9
	556	504

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited (Al Meezan) being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Management Company, Directors and Executives of the Management Company, Meezan Islamic Fund, Al Meezan Mutual Fund, KSE Meezan Index Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Financial Planning Fund of Funds, Meezan Balanced Fund, Meezan Capital Preservation Fund – III, Meezan Capital Preservation Fund – II, 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 Regulations and the Trust Deed.

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

	2016 (Rupees in '000)	2015
AI Meezan Investment Management Limited (AI Meezan) - Management Company		
Remuneration payable	10,990	7,314
Sales load payable	405	408
Allocated expenses	733	-
Certificate charges	1	1
Sindh Sales Tax and Federal Excise Duty on management fee	50,534	27,339
Sindh Sales Tax and Federal Excise Duty on sales load	2,920	835
Investments as at June 30, 2016: 17,419,761 units (June 30, 2015: 9,721,722 units)	893,285	527,403
Meezan Bank Limited		
Sales load payable	1,234	350
Balance with bank	366,815	41,621
Profit receivable on saving account	238	118
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Trustee fee payable	644	472
Sindh Sales Tax on Trustee Fee	90	-
Security deposit	100	100
Meezan Capital Preservation Fund - III		
Investments as at June 30, 2016: nil (June 30, 2015: 1,991 units)	-	108
Meezan Capital Preservation Fund - II		
Investments as at June 30, 2016: nil (June 30, 2015: 1,053,621 units)	-	57,159
MFPP - Meezan Asset Allocation Plan - II		
Investments as at June 30, 2016: 1,670,002 units (June 30, 2015: nil)	85,638	-
MFPP - Meezan Asset Allocation Plan - III		
Investments as at June 30, 2016: 7,853,066 units (June 30, 2015: nil)	402,702	-
MFPP - Meezan Asset Allocation Plan - IV		
Investments as at June 30, 2016: 2,139,131 units (June 30, 2015: nil)	109,695	-
AI Meezan Investment Management Limited - Employees Gratuity Fund		
Investments as at June 30, 2016: 202,725 units (June 30, 2015: 38,330 units)	10,396	2,079
Directors and Executives of the Management Company		
Investments as at June 30, 2016: 1,422,459 units (June 30, 2015: 1,236,744 units)	72,944	67,093
Unitholders holding 10% or more units of the Fund		
Investments as at June 30, 2016: nil (June 30, 2015: 13,709,348 units)	-	743,732

For the year ended
June 30,

2016 2015
(Rupees in '000)

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

Remuneration for the year	124,733	95,226
Sindh Sales Tax & Federal Excise Duty on Management Fee for the year	40,216	31,826
Allocated expenses	4,937	-
Units issued: 55,809,289 units (2015: 6,453,043 units)	2,915,263	340,000
Units redeemed: 48,111,250 units (2015: 12,914,960 units)	2,546,482	676,759
Cash dividend paid	33,054	-

Meezan Bank Limited

Profit on saving account

1,738 3,285

Central Depository Company of Pakistan Limited (CDC) - Trustee

Remuneration for the year	7,417	6,044
Sindh Sales Tax on trustee fee	1,038	-
CDS Charges for the year	23	17

Meezan Capital Preservation Fund - III

Units issued: 63,538,513 units (2015: 38,131,599 units)	3,316,167	2,000,404
Units redeemed: 63,540,504 units (2015: 56,842,985 units)	3,356,780	2,995,790
Cash dividend paid	7	-

Meezan Capital Preservation Fund - II

Units issued: 46,688,217 units (2015: 64,949,085 units)	2,446,808	3,346,361
Units redeemed: 47,741,838 units (2015: 63,895,464 units)	2,538,284	3,345,254
Cash dividend paid	3,582	-

MFPF - Meezan Asset Allocation Plan - I

Units issued: 13,269,037 units (2015: nil)	691,257	-
Units redeemed: 13,269,037 units (2015: nil)	695,776	-

MFPF - Meezan Asset Allocation Plan - II

Units issued: 19,291,436 units (2015: nil)	1,016,005	-
Units redeemed: 17,621,434 units (2015: nil)	928,652	-
Cash dividend paid	3,981	-

MFPF - Meezan Asset Allocation Plan - III

Units issued: 53,532,368 units (2015: nil)	2,839,372	-
Units redeemed: 45,679,302 units (2015: nil)	2,428,825	-
Cash dividend paid	19,372	-

MFPF - Meezan Asset Allocation Plan - IV

Units issued: 7,198,194 units (2015: nil)	381,627	-
Units redeemed: 5,059,063 units (2015: nil)	270,488	-
Cash dividend paid	1,627	-

**For the year ended
June 30,**

**2016 2015
(Rupees in '000)**

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

Units issued: 192,349 units (2015: nil)
Units redeemed: 27,954 units (2015: nil)
Cash dividend paid

2016	2015
10,060	-
1,500	-
613	-
30,558	13,124
21,231	161,949
7,542	-

Directors and executives of the Management Company

Units issued: 587,719 units (2015: 247,508 units)
Units redeemed: 402,004 units (2015: 3,103,472 units)
Cash dividend paid

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 and interest rate risk), credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations and the directives issued by SECP.

Risks managed and measured by the Fund are explained below:

16.1 Market risk

16.1.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of a change in market price (other than Currency risk or Interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. The Fund is not exposed to price risk as at June 30, 2016.

16.1.2 Interest Rate Risk

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

Cash Flow interest rate risk

The company's interest rate risk arises from the balances in saving accounts and investment in debt securities. At June 30, 2016, if there had been increase / decrease of 100 basis points in interest rates or in rates announced by Financial Market Association, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 58.27 million (2015: approximately Rs 57.637 million) mainly as a result of finance income.

Fair value interest rate risk

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

As at June 30, 2016					
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					
Balance with banks	2.50% to 6.10%	2,488,524	-	16,776	2,505,300
Investment - Held for trading	Weighted average 6 months T - Bills	-	-	1,278,746	1,278,746
Investment - at fair value upon initial recognition	KIBOR + 1 % to KIBOR + 2.25%	-	177,649	1,881,600	2,059,249
Investment - loans and receivables	6.25% to 6.50% & KIBOR + 0.25% to KIBOR + 0.40%	506,000	2,255,000	-	2,761,000
Receivable on issuance and conversion of units		-	-	858,248	858,248
Deposits and other receivables		-	-	84,289	84,289
		2,994,524	2,432,649	3,160,346	9,546,832
Financial liabilities					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	65,583	65,583
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	734	734
Payable to Meezan Bank Limited (MBL)		-	-	1,234	1,234
Payable on redemption and conversion of units		-	-	337,862	337,862
Accrued expenses and other liabilities		-	-	933	933
		-	-	406,346	406,346
On-balance sheet gap		2,994,524	2,432,649	3,160,346	552,967
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		2,994,524	2,432,649	3,160,346	552,967
Cumulative interest rate sensitivity gap		2,994,524	5,427,173	8,587,518	16,949,167
(Rupees in '000)					
As at June 30, 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					
Balance with banks	3.79% to 7.00%	2,554,137	-	5,167	2,559,304
Investment - Held for trading	Weighted average 6 months T - Bills	-	420,186	-	420,186
Investment - at fair value through profit or loss upon initial recognition	KIBOR + 0.30 % to KIBOR + 2.5%	88,620	-	1,521,731	1,610,351
Investment - 'loans and receivables'	7.50% to 8.35%	-	579,000	600,000	1,179,000
Deposits and other receivables		-	-	95,664	95,664
		2,642,757	999,186	2,121,731	5,864,505
Financial liabilities					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	35,897	35,897
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	472	472
Payable to Meezan Bank Limited (MBL)		-	-	350	350
Payable on redemption and conversion of units		-	-	1,509,505	1,509,505
Accrued expenses and other liabilities		-	-	627	627
		-	-	1,546,851	1,546,851
On-balance sheet gap		2,642,757	999,186	2,121,731	(1,446,020)
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		2,642,757	999,186	2,121,731	(1,446,020)
Cumulative interest rate sensitivity gap		2,642,757	3,641,943	5,763,674	12,057,717

16.1.3 Currency risk

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

16.2 Credit Risk

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

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

Credit risk arising on the debt instruments other than government securities is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The Fund, however, also invests in unrated instruments based on internal ratings assigned by the Fund manager using an approach that is consistent with the approach used by the rating agencies. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For Debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by Trustee of the Fund minimize the credit risk. In accordance with the risk management policy of the Fund, the investment manager monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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

Financial assets exposed to credit risk	2016	2015
	(Rupees in '000)	
Balances with banks	2,505,300	2,559,304
Investments	4,820,249	2,789,351
Receivable on issuance and conversion of units	858,248	-
Deposits and other receivables	84,289	95,664
	8,268,086	5,444,319

Credit Rating wise analysis of balances with bank and term deposit receipts of the Fund are tabulated below:

Rating agency	2016		2015		
	(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)	
AAA	PACRA/ JCR-VIS	299,140	11.94	82,529	3.22
AA+	PACRA/ JCR-VIS	8,125	0.32	12,481	0.49
AA	PACRA/ JCR-VIS	541,554	21.62	43,075	1.68
A+	PACRA/ JCR-VIS	2,666,257	32.14	641	0.03
A	PACRA/ JCR-VIS	851,224	33.98	2,420,578	94.58
		4,366,300	100.00	2,559,304	100.00

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

Rating agency	2016		2015		
	(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)	
Government guaranteed	1,278,746	30.17	265,850	13.09	
AA+	JCR-VIS	1,164,518	27.48	506,126	24.93
AA	JCR-VIS	177,649	4.19	115,537	5.69
AA-	PACRA/ JCR-VIS	1,467,082	34.62	-	-
A+	PACRA	150,000	3.54	327,727	16.14
A-	PACRA/ JCR-VIS	-	-	69,411	3.42
A	PACRA/ JCR-VIS	-	-	745,902	36.73
		4,237,995	100.00	2,030,553	100.00

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

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

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

16.3 Liquidity risk

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

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

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

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

In addition to Unitholders' Fund, analysis of the financial liabilities into relevant maturity grouping as at June 30, 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	65,583	-	-	-	65,583
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	734	-	-	-	734
Payable to Meezan Bank Limited (MBL)	1,234	-	-	-	1,234
Payable on redemption and conversion of units	337,862	-	-	-	337,862
Accrued expenses and other liabilities	933	-	-	-	933
	406,346	-	-	-	406,346
	2015				
	Maturity upto			More than one year	Total
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	35,897	-	-	-	35,897
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	472	-	-	-	472
Payable to Meezan Bank Limited (MBL)	350	-	-	-	350
Payable on redemption and conversion of units	1,509,505	-	-	-	1,509,505
Accrued expenses and other liabilities	627	-	-	-	627
	1,547,201	-	-	-	1,547,201

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

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

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

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

In accordance with the risk management policies stated in the note 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 amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates.

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

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

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

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

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

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

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

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

June 30, 2016	Note	Carrying amount				Total	Fair value			
		Investments	Other receivables	Cash and cash equivalents	Other payables		Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets - measured at fair value										
Investment - Held for trading		1,278,746	-	-	-	1,278,746	-	1,278,746	-	1,278,746
Investments - at fair value upon initial recognition		2,059,249	-	-	-	2,059,249	-	2,059,249	-	2,059,249
Financial assets - not measured at fair value										
Balances with banks	18.1	-	-	2,505,300	-	2,505,300	-	-	-	-
Investments - 'loans and receivables'	18.1	2,761,000	-	-	-	2,761,000	-	-	-	-
Receivable on issuance and conversion of units	18.1	-	858,248	-	-	858,248	-	-	-	-
Deposit and other receivables	18.1	-	84,289	-	-	84,289	-	-	-	-
		6,098,995	942,537	2,505,300	-	9,546,832	-	3,337,995	-	3,337,995

June 30, 2016	Note	Carrying amount				Total	Fair value			
		Investments	Other receivables	Cash and cash equivalents	Other payables		Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial liabilities - not measured at fair value										
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	18.1	-	-	-	65,583	65,583	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	18.1	-	-	-	734	734	-	-	-	-
Payable to Meezan Bank Limited (MBL)	18.1	-	-	-	1,234	1,234	-	-	-	-
Payable on redemption and conversion of units	18.1	-	-	-	337,862	337,862	-	-	-	-
Accrued expenses and other liabilities	18.1	-	-	-	933	933	-	-	-	-
		-	-	-	406,346	406,346	-	-	-	-

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 '000) (ex-distribution)	9,051,417	3,995,835	4,918,355	2,639,493	1,202,676
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution)	51.28	50.85	50.17	50.20	49.93
Offer price per unit as at June 30 (Rs) (ex-distribution)	51.62	51.19	50.51	50.49	50.22
Distribution (%)					
- Interim					
- First quarter	-	-	-	-	-
- Second quarter	-	-	4.00	6.00	-
- Third quarter	-	-	3.00	-	4.00
- Fourth quarter (i)	5.00	-	2.56	-	-
- Fourth quarter (ii)	-	-	2.00	-	-
- Annual	-	6.80	-	7.50	3.94
Dates of distribution (interim)					
- First quarter	-	-	-	-	-
- Second quarter	-	-	December 24, 2013	December 31, 2012	-
- Third quarter	-	-	March 24, 2014	-	March 31, 2012
- Fourth quarter (i)	June 24, 2016	-	May 30, 2014	-	-
- Fourth quarter (ii)	-	-	June 24, 2014	-	-

PERFORMANCE TABLE

	2016	2015	2014	2013	2012
Dates of distribution (annual)	-	July 3, 2015	-	July 8, 2013	July 9, 2012
Income distribution (Rupees in '000)	-	267,165	-	5,187	19,076
Growth distribution (Rupees in '000)	-	-	-	178,638	76,072
Highest offer price per unit (Rs)	54.13	54.61	54.55	54.22	52.41
Lowest offer price per unit (Rs)	51.35	50.62	50.35	50.16	50.00
Highest redemption price per unit (Rs)	53.77	54.25	54.19	53.95	52.11
Lowest redemption price per unit (Rs)	51.01	50.28	50.01	49.91	49.71
Total return (%)	5.76	8.15	11.90	14.45	7.81
Weighted Average Portfolio Duration (years)	1.60	2.82	2.57	2.05	2.94
	One year	Two year	Three year	Four year	Five year
Average annual return (%) as at June 30, 2016	5.76%	6.95%	8.57%	10.01%	9.57%

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

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

21. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty 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 / 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. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund
- Meezan Islamic Income Fund

22. BROKERAGE COMMISSION BY PERCENTAGE

Name of the brokers	2016	2015
	(Percentage)	
Invest Capital Management Limited	44.15	42.77
JS Global Capital Limited	26.82	57.23
Paramount Capital (Pvt.) Limited	15.01	-
Invest One Markets Limited	10.01	-
Next Capital Limited	4.01	-
	100.00	100.00

23. PATTERN OF UNIT HOLDING

	As at June 30, 2016		
	Number of unitholders	Investment amount (Rupees in '000)	Percentage of total investment (Percentage)
Individuals	3,511	3,785,305	41.82
Associated companies / directors	8	1,563,711	17.28
Insurance companies	5	80,511	0.89
Banks / DFIs	1	9	0.00
Retirement funds	58	802,172	8.86
Public limited companies	6	1,169,469	12.91
Others	48	1,650,240	18.24
Total	3,637	9,051,417	100.00

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

24. 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

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**

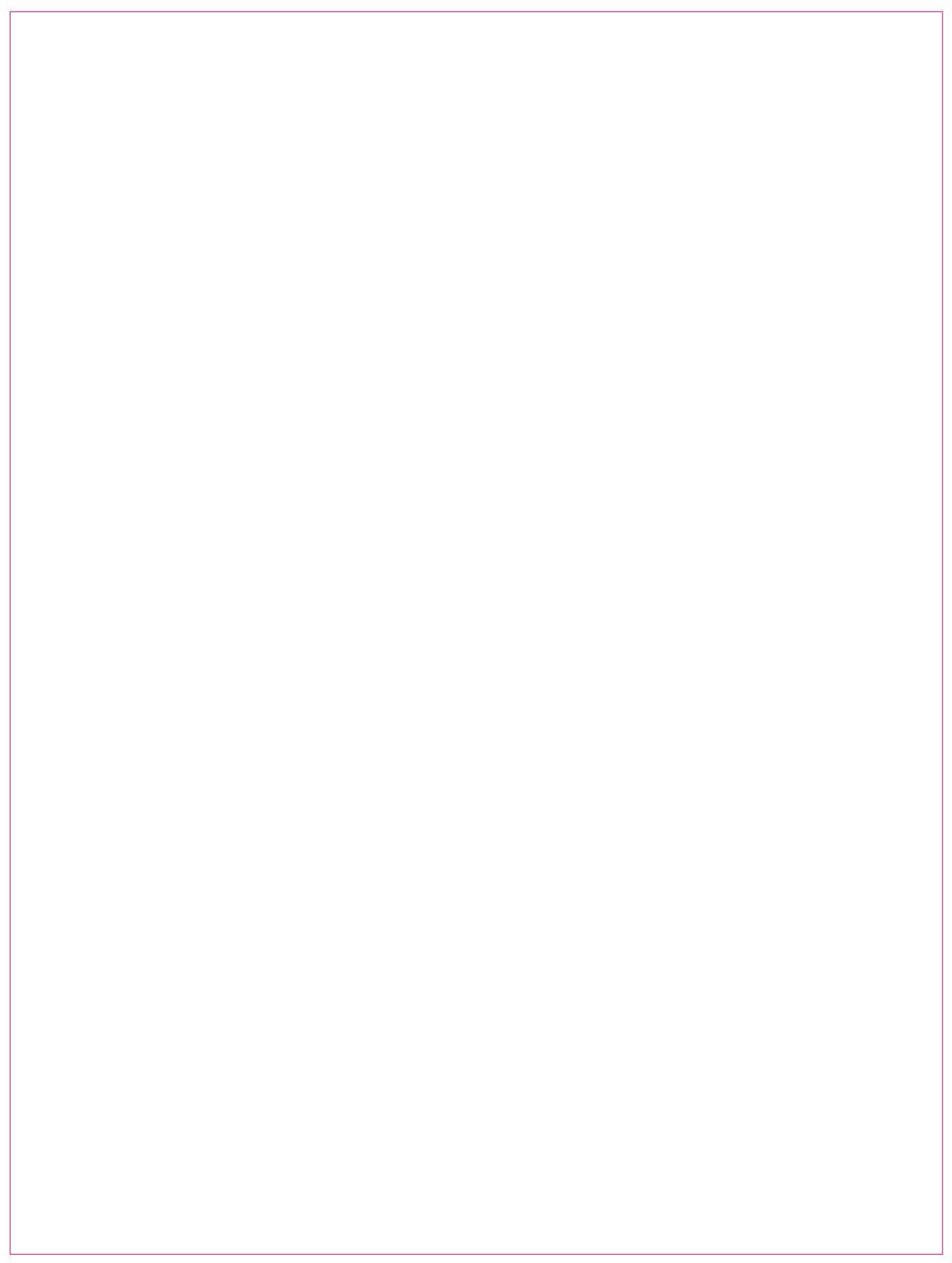


**Mazhar Sharif
Director**

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	17,419,761	9.87
MFPF - Meezan Asset Allocation Plan - II	1,670,002	0.95
MFPF - Meezan Asset Allocation Plan - III	7,853,066	4.45
MFPF - Meezan Asset Allocation Plan - IV	2,139,131	1.21
Al Meezan Investment Management Limited - Employees Gratuity Fund	202,725	0.11
Directors		
Ariful Islam	1,153,340	0.65
Syed Amir Ali Zaidi	50,928	0.03
Mazhar Sharif	3,883	0.00
Executives	214,308	0.12
Banks and financial institutions	177	0.00
Individuals	73,600,304	41.70
Retirements funds	15,642,603	8.86
Public limited companies	23,178,392	13.13
Others	33,376,783	18.92
Total	176,505,403	100.00







Meezan Sovereign Fund

Meezan Sovereign Fund is Pakistan's first Shariah compliant government securities fund. The purpose of the fund is to provide maximum possible preservation of capital and a reasonable rate of return by investing primarily in Shariah compliant Government Securities.

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

HUMAN RESOURCES & REMUNERATION COMMITTEE

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

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

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

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

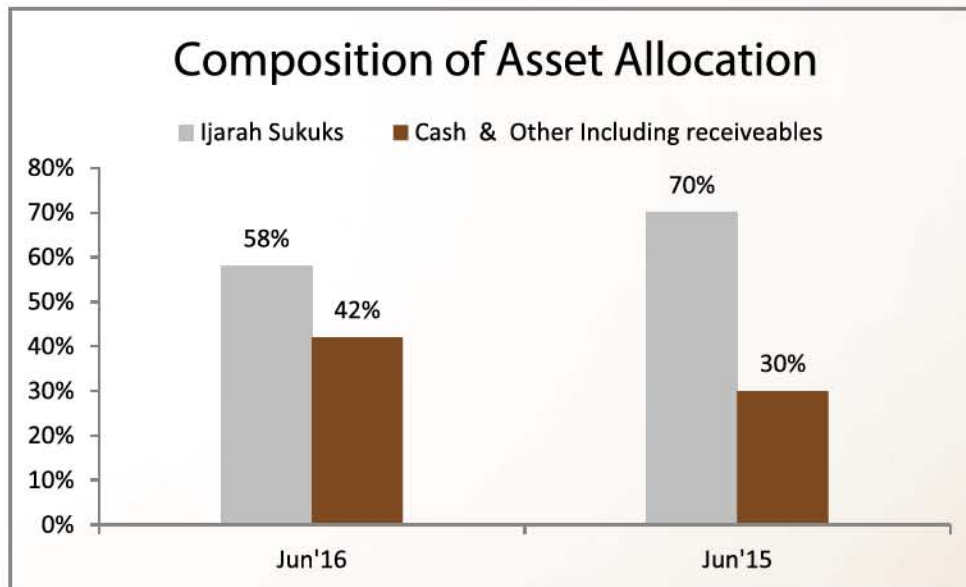
The Fund's primary objective is to provide investors with a low risk and stable rate of current income by primarily investing in Shariah Compliant Sovereign Securities.

Investment Policy and Strategy

Meezan Sovereign Fund, an open end income fund, was launched in February 2010 with an investment policy stating that at least 70% of the net assets of the fund shall be invested in Shariah compliant fixed income government securities while at least 10% of the fund size has to be maintained in cash. The remaining allocation can be in other permissible Islamic investment avenues. The instruments in which MSF invests are Sovereign Sukuks (Islamic Bonds), Musharaka and Murabaha instruments, Certificate of Islamic Investments, Islamic bank deposits and other Sovereign Islamic income products.

Sector Allocation for the year ended FY15 and FY16

The asset allocation of the fund on June 30, 2015 and June 30, 2016 is as follows:



Performance Review

Meezan Sovereign Fund (MSF) provided a return of 5.12% to its investors for the year ended June 30, 2016 against a benchmark return of 4.49%.

During the year, the Fund earned a gross income of Rs. 610 million, which was primarily due to profit on Sukuks certificates worth Rs. 442 million. Profit on saving accounts at Islamic banks contributed Rs. 133 million and profit on Term Deposit Receipts (TDR) contributed Rs.1 million. On the other side, the fund incurred realized loss and unrealized gain worth Rs. 14 million and Rs. 48 million respectively. The fund also incurred expenses totalling to Rs. 144 million and element of loss and capital loss included in prices of units issued and less those in units redeemed of Rs. 91 million, which brought the net income figure to Rs. 375 million. The net assets of the Fund as at June 30, 2016 were Rs. 7,945 million as compared to Rs. 8,657 million at the end of last year. The net asset value per unit as at June 30, 2016 was Rs. 50.80 as compared to Rs. 53.92 per unit as on June 30, 2015.

	MSF	Six Month deposits at Islamic Banks
Net Asset Value as on June 30, 2015	53.92	
Net Asset Value as on June 30, 2016	50.80	
Return for the year	5.12%	4.49%
Outperformance	0.63%	

Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2016 was Rs. 2.25 per unit (4.50%). Total distribution made by the fund was Rs. 317 million.

Fund Stability Rating

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

Unit holder Break down:

(As on June 30, 2016)

Range (Units)	No. of Investors
1 - 9,999	2,872
10,000 - 49,999	862
50,000 - 99,999	129
100,000 - 499,999	75
500,000 and above	20
Total	3,958



Meezan Bank
The Premier Islamic Bank

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

August 03, 2016/Shawwal 28, 1437

Alhamdulillah, the period from July 01, 2015 to June 30, 2016 was the seventh year of operations of Meezan Sovereign Fund (MSF) under management of Al Meezan Investment Management Limited (Al Meezan). We Meezan Bank Limited are the *Shari'ah* Advisor of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MSF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSF for the year ended June 30, 2016 have been in compliance with *Shari'ah* principles.

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

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN SOVEREIGN FUND

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

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

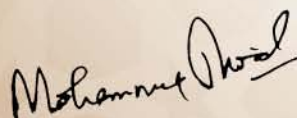
1. The Management Company encourages representation of independent non-executive directors. At present the board includes:

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 NBF1 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 Shoab, 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

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

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

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

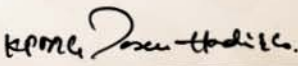
The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with 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
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Independent Auditors' Report to the Unitholders

Report on the Financial Statements

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

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



KPMG Taseer Hadi & Co.



Report on Other Legal and Regulatory Requirements

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

Date: 31 AUG 2015

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Malik

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Assets			
Balances with banks	4	3,709,604	3,234,525
Investments	5	6,112,385	8,275,796
Receivable on issuance and conversion of units		641,331	79,483
Deposit, prepayment and other receivables	6	85,882	192,846
Total assets		10,549,202	11,782,650
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	86,166	71,521
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	737	807
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	6,797	10,213
Payable to Meezan Bank Limited (MBL)		232	499
Payable on redemption and conversion of units		2,354,412	2,901,599
Accrued expenses and other liabilities	10	156,112	141,310
Total liabilities		2,604,456	3,125,949
Net assets		7,944,746	8,656,701
Contingencies and commitments	11		
Unitholders' fund (as per statement attached)		7,944,746	8,656,701
		(Number of units)	
Number of units in issue	13	156,386,988	160,548,092
		(Rupees)	
Net assets value per unit		50.80	53.92

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**

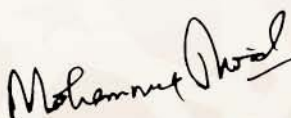
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Income			
Profit on saving accounts with banks		132,549	326,193
Profit on sukuk certificates		442,359	906,248
Profit on Term Deposit Receipt		1,458	-
Net realised loss on sale of sukuk certificates		(14,193)	(87,259)
		562,173	1,145,182
Unrealised appreciation / (diminution) on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	47,688	(47,805)
Total income		609,861	1,097,377
Expenses			
Remuneration to Al Meezan Investment Management Limited - (Al Meezan) Management Company	7.1	90,623	136,167
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	29,216	45,552
Allocated expenses	7.4	5,286	-
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	7,536	10,420
Sindh Sales Tax on trustee fee	8.1	1,055	-
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	6,797	10,213
Auditors' remuneration	14	473	410
Fees and subscription		849	260
Legal & professional charges		660	-
Amortisation of preliminary expenses and floatation costs		-	312
Brokerage expense		1,067	787
Bank and settlement charges		318	226
Provision for Workers' Welfare Fund (WWF)	12	-	11,417
Printing expenses		72	742
Total expenses		143,952	216,506
Net income from operating activities		465,909	880,871
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)		(90,854)	(321,449)
Net income for the year before taxation		375,055	559,422
Taxation	19	-	-
Net income for the year after taxation		375,055	559,422
Other comprehensive income for the year			
Items that can be reclassified to income statement in subsequent periods			
Net unrealised diminution on re-measurement of investments classified as 'available for sale'	5.2.3	(6,979)	(20,861)
Total comprehensive income for the year		368,076	538,561

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	2015
	(Rupees in '000)	
Undistributed income / accumulated losses brought forward		
- Realised	783,971	15,835
- Unrealised	(47,805)	147,842
	736,166	163,677
Interim distribution for the year ended June 30, 2016		
- cash dividend @ 4.5% i.e. Rs. 2.25 per unit (June 30, 2015: nil)	(316,944)	-
Final distribution for the year ended June 30, 2015		
- cash dividend @ 6.8% i.e. Rs. 3.45 per unit (June 30, 2014: nil)	(553,891)	-
Total distribution	(870,835)	-
Net income for the year	375,055	559,422
Element of income and capital gains included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments	811	13,067
Undistributed income carried forward	241,197	736,166
Undistributed income / (accumulated losses) carried forward		
- Realised	193,509	783,971
- Unrealised	47,688	(47,805)
	241,197	736,166

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	8,656,701	20,280,685
Issuance of 562,839,336 units (2015: 408,566,767 units)	29,310,320	21,372,597
Issuance of 4,837,363 units for re - investment of cash dividend (2015: nil)	261,645	-
Redemption of 571,837,803 units (2015: 649,764,761 units)	(29,872,015)	(33,856,591)
	(300,050)	(12,483,994)
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)	90,854	321,449
Net realised loss on sale of sukuk certificates	(14,193)	(87,259)
Unrealised appreciation / (diminution) in the value of investments (net)	40,709	(68,666)
Other net income for the year	341,560	694,486
Total omprehensive income for the year	368,076	538,561
Interim distribution for the year ended June 30, 2016 - Cash dividend @ 4.5% i.e Rs 2.25 per unit (June 30, 2015: nil)	(316,944)	-
Final distribution for the year ended June 30, 2015 - Cash dividend @ 6.8% i.e Rs 3.45 per unit (June 30, 2014: nil)	(553,891)	-
Total distribution	(870,835)	-
Net (loss) / income for the year less distribution	(502,759)	538,561
Net assets at end of the year	7,944,746	8,656,701
	(Rupees)	
Net assets value per unit at beginning of the year	53.92	50.48
Net assets value per unit at end of the year	50.80	53.92

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		375,055	559,422
Adjustments for :			
Unrealised (appreciation) / diminution on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	(47,688)	47,805
Amortisation of preliminary expenses and floatation costs		-	312
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)		90,854	321,449
		418,221	928,988
Decrease in assets			
Investments (net)		2,204,120	5,379,854
Deposit, prepayment and other receivables		106,964	93,085
		2,311,084	5,472,939
Increase / (decrease) in liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		14,877	16,823
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		(70)	(418)
Payable to Securities and Exchange Commission of Pakistan (SECP)		(3,416)	(5,074)
Payable to Meezan Bank Limited		(499)	229
Accrued expenses and other liabilities		14,802	17,792
		25,694	29,352
Net cash generated from operating activities		2,754,999	6,431,279
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		29,010,117	21,293,114
Payments against redemption and conversion of units		(30,419,202)	(31,180,008)
Dividend paid		(870,835)	-
Net cash used in financing activities		(2,279,920)	(9,886,894)
Net increase / (decrease) in cash and cash equivalents during the year		475,079	(3,455,615)
Cash and cash equivalents at beginning of the year		3,234,525	6,690,140
Cash and cash equivalents at end of the year	4	3,709,604	3,234,525

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 Sovereign Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unitholders maximum possible preservation of capital along with Halal and reasonable returns by investing primarily in a portfolio of Shariah compliant government securities. Thus, minimising the credit risk of investments. The Fund shall also keep an exposure in short-term near cash instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open end Shariah Compliant (Islamic) Income Scheme, listed on the 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.
- 1.4** The Management Company of the Fund has been given quality rating of AM2++ and the stability rating of the Fund is AA(f) given by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

2. BASIS OF PRESENTATION

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

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

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

- (a) Classification and valuation of financial instruments (note 3.1 & 5)
- (b) Impairment of financial instruments (note 3.1.6)
- (c) Recognition of provision for Workers' Welfare Fund (note 12)
- (d) Taxation (note 3.7 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 IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

These amendments will not have an impact on the Fund's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

3.1.1 Classification

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

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

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

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

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

b) Loans and receivables

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

c) Available for sale

These are non-derivative financial assets that are either designated as available for sale or are not classified in any of the other categories mentioned in (a) or (b) above.

3.1.2 Regular way contracts

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

3.1.3 Recognition

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

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

3.1.4 Measurement

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

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

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

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

3.1.5 Fair value measurement principles and provisions

The fair value of financial instruments is determined as follows:

Basis of valuation of government securities

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

Basis of valuation of debt securities

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

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

3.1.6 Impairment

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

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

3.1.7 Derecognition

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

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

3.1.8 Offsetting of financial instruments

Financial assets and 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 asset value of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

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

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

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

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

3.5 Provisions

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

3.6 Net assets value per unit

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

3.7 Taxation

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

Current

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

Deferred

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

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

- 3.7.1** The income of the Fund is exempt from income tax under clause 99 of Part I 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).

3.8 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in Income Statement currently and are recognised on the date at which the transaction takes place.
- (ii) Profit on bank deposit is recognised on time proportion basis using effective yield method.
- (iii) Income on sukuk certificates, term deposit receipts and Government securities is recognised on a time proportionate basis using effective yield method.

3.9 Expenses

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

3.10 Earnings per unit

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

3.11 Cash and cash equivalents

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

3.12 Distribution

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

4. BALANCES WITH BANKS	Note	2016 (Rupees in '000)	2015
On saving accounts	4.1	3,693,945	3,218,428
On current accounts		15,659	16,097
		3,709,604	3,234,525

4.1 The balances in saving accounts have an expected profit ranging from 2.50% to 6.10% per annum (2015: 4.00% to 9.27% per annum).

5. INVESTMENTS	Note	2016 (Rupees in '000)	2015
Investments - 'at fair value through profit or loss'	5.1	6,112,385	6,891,142
Investments - 'available for sale'	5.2	-	1,384,654
		6,112,385	8,275,796

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

Name of the security	Maturity date	Profit rate	As at July 01, 2015	Purchases during the year	Sales / maturity during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain as at June 30, 2016	Percentage in relation to	
			----- (Number of certificates) -----			----- (Rupees in '000) -----			Net assets of the fund on the basis of market value	Total market value of investments	
GoP Ijarah Sukuk Certificates - IX (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	29,770	-	29,770	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - X (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	18,030	-	18,030	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XII (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	19,669	-	19,669	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XIII (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	750	-	750	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XIV (note 5.2.1)	March 28, 2016	Weighted average 6 months T-Bills	167	13,700	13,867	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XVI (note 5.2.1)	December 18, 2018	Weighted average 6 months T-Bills	-	81,500	48,160	33,340	3,335,462	3,360,339	24,877	42.30	54.98
GoP Ijarah Sukuk Certificates - XVII (note 5.2.1)	February 15, 2019	Weighted average 6 months T-Bills	-	36,350	10,000	26,350	2,654,175	2,676,896	22,721	33.69	43.79
GoP Ijarah Sukuk Certificates - XVIII (note 5.2.1)	March 29, 2019	Weighted average 6 months T-Bills	-	2,750	2,000	750	75,060	75,150	90	0.95	1.23
Total							6,064,697	6,112,385	47,688		
Total cost of investments								6,064,697			

5.2 Investments - 'Available for Sale' - Sukuk Certificates

Name of the security	Maturity date	Profit rate	As at July 01, 2015	Purchases during the year	Sales during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain as at June 30, 2016	Percentage in relation to	
			----- (Number of certificates) -----			----- (Rupees in '000) -----			Net assets of the fund on the basis of market value	Total market value of investments	
GoP Ijarah Sukuk Certificates - X (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	13,500	-	13,500	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XI (note 5.2.1 & 5.2.2)	November 21, 2015	Weighted average 6 months T-Bills	230	-	230	-	-	-	-	-	-
Total											
Total cost of investments											

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

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

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

	Note	2016 (Rupees in '000)	2015
Market value of investment		-	1,384,654
Less: Cost of investments		-	1,377,675
		-	6,979
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year		6,979	27,840
		(6,979)	(20,861)

5.3 Loans and receivables - Term deposit receipts (TDR)

Name of the bank	Maturity	Profit rate	As at July 01, 2015	TDR's placed during the year	Matured during the year	As at June 30, 2016	Percentage of market value of investments
		----- % -----	----- (Rupees in '000) -----			----- % -----	
Habib Metropolitan Bank Limited	May 2, 2016	6.50	-	250,000	(250,000)	-	-

	Note	2016 (Rupees in '000)	2015
6. DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES			
Security deposit		100	100
Prepayment		143	98
Profit receivable on saving accounts with banks		17,357	98,821
Profit receivable on sukuk certificates		67,888	93,433
Others		394	394
		85,882	192,846
7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company			
Management fee	7.1	7,841	10,333
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	74,353	58,277
Sales load		855	904
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	2,331	2,007
Allocated expenses	7.4	786	-
		86,166	71,521

- 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 1.5 percent of average annual net assets in case of Income Scheme. The remuneration of the Management Company has been charged at the rate of one 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 on FED on remuneration of Management Company with effect from June 13, 2013, aggregating to Rs. 63.59 million (2015: Rs. 50.56 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 Re. 0.40 per unit (2015: Re. 0.31 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 assets value of the Fund.

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

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

- 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 income scheme is required to pay an annual fee to the SECP, an amount equal to 0.075% 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 0.06% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.075%. 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 (WWF) payable	12	133,886	133,886
Withholding tax payable		19,640	5,496
Printing expenses payable		657	891
Zakat payable		267	626
Auditors' remuneration		310	297
Brokerage payable		814	114
Shariah advisor fee payable		538	-
		156,112	141,310

11. CONTINGENCIES AND COMMITMENTS

- 11.1** 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. 36.973 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.

11.2 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 Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

However, decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2015 amounting to Rs. 133.886 million. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.86 (1.69%).

The Board of Directors of the management Company in its meeting held on October 25, 2013 have resolved that unrecorded accumulated WWF provision in the fund from the date of its application till December 31, 2012, in case is required to be paid, shall be borne by Al Meezan Investment Management Limited (Management Company of the fund). Therefore, the Fund is not exposed to this unrecorded accumulated WWF provision. The unrecorded accumulated provision for WWF up to December 31, 2012 is Rs. 74.019 million.

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015, 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.

13. NUMBER OF UNITS IN ISSUE

13.1 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	160,548,092	401,746,086
Units issued during the year	562,839,336	408,566,767
Units for re - investment of cash dividend during the year	4,837,363	-
Units redeemed during the year	(571,837,803)	(649,764,761)
Total units in issue at end of the year	156,386,988	160,548,092

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	230	190
Half yearly review fee	120	120
Other certification fee	110	100
Out of pocket expenses	13	-
	473	410

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, and Meezan Islamic Fund, Al Meezan Mutual Fund, KSE Meezan Index Fund, Meezan Islamic Income Fund, Meezan Cash Fund, Meezan Financial Planning Fund of Funds, Meezan Balanced Fund, Meezan Capital Preservation Fund – III, Meezan Capital Preservation Fund – II, Meezan Asset Allocation Fund, 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 and Al Meezan Investment Management Limited - Employees' Gratuity Fund and unitholders holding 10 percent or more net assets of the fund.

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

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

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

AI Meezan Investment Management Limited (AI Meezan) - Management Company	2016	2015
	(Rupees in '000)	
Remuneration payable	7,841	10,333
Sindh Sales Tax and Federal Excise Duty payable on management fee	74,353	58,277
Sales load payable	855	1,338
Sindh Sales Tax and Federal Excise Duty payable on sales load	2,331	2,073
Allocated expense payable	786	-
Meezan Bank Limited (MBL)		
Balances with bank	43,281	101,475
Profit receivable on saving accounts	243	332
Sales load payable	232	499
Investments as at June 30, 2016: 21,593,102 units (2015: 56,706,764 units)	1,096,930	3,057,628
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Trustee fee payable	647	807
Sindh Sales tax on Trustee fee payable	90	-
Deposit	100	100
AI Meezan Investment Management Limited - Employees' Gratuity Fund		
Investments as at June 30, 2016: nil (2015: 44,826 units)	-	2,417
Meezan Financial Planning Fund of Funds		
Investment as at 30 June 2016: 2,649,024 units - Aggressive Allocation Plan (2015: 1,936,916 units)	134,570	104,439
Investment as at 30 June 2016: 4,354,237 units - Conservative Allocation Plan (2015: 4,984,360 units)	221,195	268,757
Investment as at 30 June 2016: 3,609,944 units - Moderate Allocation Plan (2015: 3,485,449 units)	183,385	187,935
Investment as at 30 June 2016: 12,153,662 units - MCPP - I (2015: 4,529,964 units)	617,406	244,256
Investment as at 30 June 2016 38,471,290 units - MCPP - II (2015: 8,689,559 units)	1,954,342	468,541
Investment as at 30 June 2016 3,011,305 units - MAAP - I (2015: nil)	152,974	-
Investment as at 30 June 2016 876,557 units - MAAP - II (2015: nil)	44,529	-
Meezan Capital Preservation Funds III		
Investments as at June 30, 2016: nil (2015: 5,533,153 units)	-	298,348
Meezan Capital Preservation Funds II		
Investments as at June 30, 2016: 4,447,943 units (2015: 5,647,987 units)	225,956	304,540

Directors and Executives of the Management Company

Investments as at June 30, 2016: 67,068 units (2015: 177,443 units)

2016 **2015**
(Rupees in '000)

3,407	9,568
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For the year ended
June 30,

2016 **2015**
(Rupees in '000)

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

Remuneration for the year
Sindh Sales Tax and Federal Excise Duty on management fee
Units issued: 7,649,936 units (2015: nil)
Units redeemed: 7,649,936 units (2015: 619,702 units)

90,623	136,167
29,216	45,552
393,000	-
396,512	31,461

Meezan Bank Limited (MBL)

Profit on saving accounts
Units redeemed: 35,113,662 units (2015: 73,168,424 units)
Dividend paid

1,158	4,086
2,036,640	3,745,306
48,584	-

Central Depository Company of Pakistan Limited (CDC) - Trustee

Remuneration fee
Sindh Sales Tax on trustee fee
CDS Charges

7,536	10,420
1,055	-
6	6

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

Units issued: 3,064 units (2015: nil)
Units redeemed: 47,890 units (2015: nil)

155	-
2,534	-

Meezan Financial Planning Fund of Funds

Units issued: 1,174,353 units
- Aggressive Allocation Plan (2015: 1,008,898 units)
Units issued: 2,877,729 units
- Conservative Allocation Plan (2015: 4,507,010 units)
Units issued: 2,095,501 units
- Moderate Allocation Plan (2015: 2,746,285 units)
Units issued: 43,234,158 units - MCPP I (2015: 20,492,959 units)
Units issued: 86,386,512 units - MCPP II (2015: 82,759,037 units)
Units issued: 22,788,255 units - MAAP - I (2015: nil)
Units issued: 3,716,683 units - MAAP - II (2015: nil)

60,199	52,721
148,540	232,834
107,935	143,660
2,231,195	1,089,010
4,453,710	4,372,200
1,170,067	-
193,943	-

**For the year ended
June 30,**

	2016	2015
	(Rupees in '000)	
Units redeemed: 462,245 units - Aggressive Allocation Plan (2015: 1,014,368 units)	23,993	53,001
Units redeemed: 3,507,850 units - Conservative Allocation Plan (2015: 4,567,092 units)	178,748	238,694
Units redeemed: 1,971,006 units - Moderate Allocation Plan (2015: 1,750,547 units)	101,561	92,053
Units redeemed: 35,610,458 units - MCPP I (2015: 15,962,995 units)	1,842,757	849,972
Units redeemed: 56,604,781 units - MCPP II (2015: 74,069,478 units)	2,927,566	3,931,032
Units redeemed: 19,776,950 units - MAAP - I (2015: nil)	1,015,624	-
Units redeemed: 2,840,126 units - MAAP - II (2015: nil)	149,524	-
Dividend paid - Aggressive Allocation Plan	53,652	-
Dividend paid - Conservative Allocation Plan	26,316	-
Dividend paid - Moderate Allocation Plan	18,768	-
Dividend paid - MCPP I	41,815	-
Dividend paid - MCPP II	115,880	-
Dividend paid - MAAP I	6,492	-
Dividend paid - MAAP II	1,889	-
Meezan Capital Preservation Fund III		
Units issued: 3,836,414 (2015: 7,685,686 units)	194,889	412,900
Units redeemed: 9,369,567 units (2015: 2,152,533 units)	477,647	116,000
Dividend paid	19,090	-
Meezan Capital Preservation Fund II		
Units issued: 52,370,874 units (2015: 7,058,168 units)	2,736,966	379,080
Units redeemed: 53,570,918 units (2015: 1,410,280 units)	2,819,332	76,000
Dividend paid	19,486	-
Directors and Executives of the Management Company		
Units issued: 130,096 units (2015: 338,132 units)	6,719	17,069
Units redeemed: 240,471 units (2015: 1,580,027 units)	12,343	79,760
Dividend paid	7,96	-

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, 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:

16.1 Market risk

16.1.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instrument traded in the market. The Fund is not exposed to any price risk as at June 30, 2016.

16.1.2 Interest rate risk

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

Cash flow interest rate risk

The Company's interest rate risk arises from the balances in savings accounts and investment in debt securities. At June 30, 2016. If there had been increase / decrease of 100 basis points in interest rates or in rates announced by Financial Market Association, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs. 98.063 million (2015: Rs. 114.942 million) mainly as a result of finance income.

Fair value interest rate risk

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

	As at 30 June 2016				Total	
	Effective yield / interest rate	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						
Financial assets						
Balances with banks	2.50% to 6.10%	3,693,945	-	-	15,659	3,709,604
Investments	Weighted average 6 months T-Bills	-	-	6,112,385	-	6,112,385
Receivable on issuance and conversion of units		-	-	-	641,331	641,331
Deposit and other receivables		-	-	-	85,739	85,739
		3,693,945	-	6,112,385	742,729	10,549,059
Financial liabilities						
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	-	86,166	86,166
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	737	737
Payable to Meezan Bank Limited (MBL)		-	-	-	232	232
Payable on redemption and conversion of units		-	-	-	2,354,412	2,354,412
Accrued expenses and other liabilities		-	-	-	2,319	2,319
		-	-	-	2,443,866	2,443,866
On-balance sheet gap		3,693,945	-	6,112,385	(1,701,137)	8,105,193
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		3,693,945	-	6,112,385		
Cumulative interest rate sensitivity gap		3,693,945	3,693,945	9,806,330		

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	4.00% to 9.27%	3,218,428	-	-	16,097	3,234,525
Investments	Weighted average 6 months T-Bills	75,510	8,200,286	-	-	8,275,796
Receivable on issuance and conversion of units		-	-	-	79,483	79,483
Deposit and other receivables		-	-	-	192,748	192,748
		3,293,938	8,200,286.00	-	288,328	11,782,552
Financial liabilities						
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	-	71,521	71,521
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	807	807
Payable to Meezan Bank Limited (MBL)		-	-	-	499	499
Payable on redemption and conversion of units		-	-	-	2,901,599	2,901,599
Accrued expenses and other liabilities		-	-	-	1,302	1,302
		-	-	-	2,975,728	2,975,728
On-balance sheet gap		3,293,938	8,200,286	-	(2,687,400)	8,806,824
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		3,293,938	8,200,286	-		
Cumulative interest rate sensitivity gap		3,293,938	11,494,224	11,494,224		

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2016 is not necessary indicative of the effect on the fund's net asset due to future movements in interest rates.

16.1.3 Currency risk

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

16.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. All the debt instruments in which the Fund has invested as at June 30, 2016 are Government guaranteed securities.

Credit risk arises from deposits with banks and financial instruments, profit receivable on bank deposits, receivable against issuance of units and credit exposure arising as a result of receivable against sale of investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund minimises the credit risk. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio mainly comprises of government guaranteed GoP Ijara Sukuks and balances with banks. As transactions are entered with credit worthy parties thereby any significant concentration of credit risk is mitigated.

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

Financial assets exposed to credit risk	2016	2015
	(Rupees in '000)	
Balance with banks	3,709,604	3,234,525
Receivable on issuance and conversion of units	641,331	-
Deposit and other receivables	85,739	192,748
	4,436,674	3,506,362

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	1,280,686	34.53	2,352,470	72.73
AA+	PACRA/ JCR-VIS	5,095	0.14	852,944	26.37
AA	PACRA/ JCR-VIS	681,441	18.37	29,111	0.90
A+	PACRA/ JCR-VIS	1,738,864	46.87	-	-
A	PACRA/ JCR-VIS	3,518	0.09	-	-
		3,709,604	100	3,234,525	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.

16.3 Liquidity risk

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

In accordance with regulation 58(1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs.1,191.712 million as on 30 June 2016 (30 June 2015: Rs. 1,298.505 million). However, no such borrowing has been obtained during the year.

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

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

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 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	86,166	-	-	-	86,166
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	737	-	-	-	737
Payable to Meezan Bank Limited (MBL)	232	-	-	-	232
Payable on redemption and conversion of units	2,354,412	-	-	-	2,354,412
Accrued expenses and other liabilities	2,319	-	-	-	2,319
	2,443,866	-	-	-	2,443,866
	2015				
	Maturity upto			More than one year	Total
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	71,521	-	-	-	71,521
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	807	-	-	-	807
Payable to Meezan Bank Limited (MBL)	499	-	-	-	499
Payable on redemption and conversion of units	2,901,599	-	-	-	2,901,599
Accrued expenses and other liabilities	1,302	-	-	-	1,302
	2,975,728	-	-	-	2,975,728

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

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'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 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 VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date. The fund does not hold any securities that are based on quoted market prices.

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

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

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

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

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

The 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	6,112,385	-	-	-	6,112,385	-	6,112,385	-	6,112,385
Financial assets - not measured at fair value									
Balances with banks	18.1	-	3,709,604	-	3,709,604	-	-	-	-
Receivable on issuance and conversion of units	18.1	641,331	-	-	641,331	-	-	-	-
Deposit and other receivables	18.1	85,739	-	-	85,739	-	-	-	-
		6,112,385	727,070	3,709,604	-	10,549,059	-	6,112,385	-

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 liabilities - not measured at fair value									
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	18.1	-	-	86,166	86,166	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	18.1	-	-	737	737	-	-	-	-
Payable to Meezan Bank Limited (MBL)	18.1	-	-	232	232	-	-	-	-
Payable on redemption and conversion of units	18.1	-	-	2,354,412	2,354,412	-	-	-	-
Accrued expenses and other liabilities	18.1	-	-	2,319	2,319	-	-	-	-
		-	-	2,443,866	2,443,866	-	-	-	-

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	2011
Net assets (Rs. in '000) (ex-distribution)	7,944,746	8,656,701	20,280,685	19,654,233	19,709,509	12,455,125
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	50.80	50.47	50.48	50.04	50.03	50.01
Offer price per unit as at June 30 (Rs.) (ex-distribution)	51.14	54.28	50.82	50.38	50.32	50.26
Distribution (%)						
Interim						
- First quarter	-	-	1.80	2.38	2.60	2.50
- Second quarter	-	-	1.68	2.36	2.60	1.30
- Third quarter	-	-	1.80	2.00	2.60	4.20
- Fourth quarter	4.50	-	2.10	-	2.92	1.75
Annual	6.80	-	-	2.06	-	1.28
Dates of distribution (interim)						
- First quarter	-	-	September 23, 2013	September 21, 2012	September 23, 2011	September 30, 2010
- Second quarter	-	-	December 24, 2013	December 31, 2012	December 22, 2011	December 31, 2011
- Third quarter	-	-	March 24, 2014	March 22, 2013	March 22, 2012	March 30, 2011

PERFORMANCE TABLE

	2016	2015	2014	2013	2012	2011
- Fourth quarter	June 29, 2016	-	May 29, 2014	-	May 28, 2012	May 24, 2011
Dates of distribution (annual)	July 3, 2015	-	-	July 8, 2013	-	July 7, 2011
Income distribution (Rs. in '000)	870,835	-	586	449	647,696	520,589
Growth distribution (Rs. in '000)	-	-	1,875,183	1,300,190	1,204,181	362,249
Highest offer price per unit (Rs.)	54.28	54.28	51.86	51.50	51.73	52.00
Lowest offer price per unit (Rs.)	50.86	50.88	50.36	50.31	50.32	50.29
Highest redemption price per unit (Rs.)	53.92	53.92	51.51	51.20	51.47	52.11
Lowest redemption price per unit (Rs.)	50.93	50.54	50.02	50.02	50.03	50.04
Total return (%)	5.12	6.81	8.50	9.11	11.18	11.46
Weighted Average Portfolio Duration (years)	0.03	0.40	0.78	1.43	2.02	2.43
	One Year	Two Year	Three Year	Four Year	Five Year	Six Year
Average annual return (%) as at June 30, 2016	5.12	5.97	6.81	7.39	8.14	8.70

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

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

21. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty 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. Zain Malik. Other Funds being managed by the Fund Manager are as follows:
 - Meezan Cash Fund
 - Meezan Islamic Income Fund

22. BROKERAGE COMMISSION BY PERCENTAGE

Name of the broker	2016	2015
	(Percentage)	
Invest Capital Markets Limited	28	42
Vector Capital (Private) Limited	19	-
Jahangir Siddique Securities Service Limited	19	-
JS Global Capital Limited	17	48
Paramount Capital (Private) Limited	15	-
Arif Habib Securities Limited	2	-
BMA Capital Management Limited	-	10
	100	100

23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 25, 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 Shoab	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

24. PATTERN OF UNIT HOLDING


	As at June 30, 2016		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	3,799	2,226,516	28.03%
Associated companies / directors	13	4,632,301	58.31%
Insurance companies	5	148,368	1.87%
Retirement funds	41	428,689	5.40%
Public limited companies	5	134,297	1.69%
Others	95	374,575	4.70%
Total	3,958	7,944,746	100.00%

	As at June 30, 2015		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	4,182	3,153,640	36.43%
Associated companies / directors	13	4,942,146	57.09%
Insurance companies	1	4,381	0.05%
Retirement funds	48	475,877	5.50%
Public limited companies	65	48,969	0.57%
Others	17	31,688	0.36%
Total	4,326	8,656,701	100.00%

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		
Meezan Bank Limited	21,593,102	13.81
Meezan Capital Preservation Fund - II	4,447,943	2.84
Meezan Financial Planning Fund of Funds		
- Meezan Capital Preservation Plan - II	38,471,291	24.60
- Meezan Capital Preservation Plan - I	12,153,662	7.77
- Aggressive Allocation Plan	2,649,024	1.69
- Conservative Allocation Plan	4,354,237	2.78
- Moderate Allocation Plan	3,609,944	2.31
- Meezan Asset Allocation Plan - I	2,979,350	1.91
- Meezan Asset Allocation Plan - II	876,557	0.56
Chief executive		
Mr. Mohammad Shoaib, CFA	4,910	0.00
Directors		
Mr. Mazhar Sharif	48	0.00
Mr. Tasneem ul Haq Farooqui	41,694	0.03
Syed Amir Ali	15	0.00
Executives		
	20,401	0.01
Public Limited Companies		
	2,643,632	1.69
Retirement Funds		
	8,438,275	5.40
Other Corporate Sector Entities		
	10,293,409	6.58
Individuals		
	43,809,494	28.01
Total	156,386,988	100.00





Meezan Cash Fund

Meezan Cash Fund is Pakistan's first Shariah compliant money market fund. MCF aims to bring you stable and Halal returns through avoiding volatility of both long-term fixed income securities and stock markets.

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 Shoab, 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 Shoab, CFA	Member

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

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

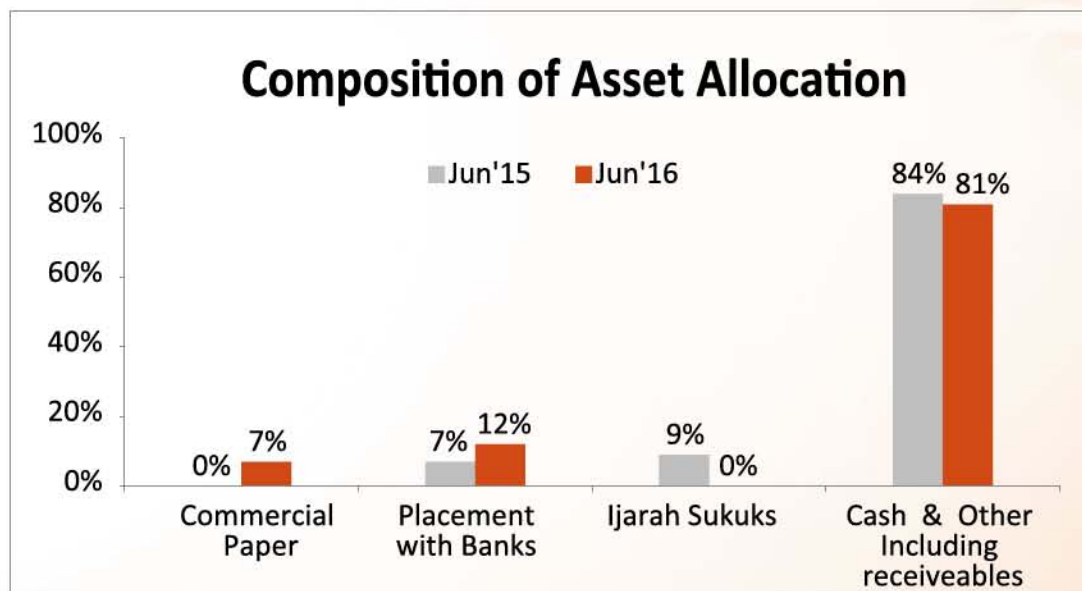
Meezan Cash Fund (MCF) is an open end cash fund investing primarily in Shariah compliant money market and Islamic bonds (Sukuks).

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

Investment Policy and Strategy

The fund provides investors with the opportunity to park their excess liquidity in secure high quality instruments. To minimize the impact of interest rate volatility, the investment policy limits the investment avenues to short term tenors. As per its investment policy, MCF can invest or place funds in instruments/avenues with a credit rating of at least 'double A' (AA). Moreover, the investment policy limits interest rate risk by capping the maturity of instruments up to a maximum of six months, along with maximum portfolio duration of three months.

Sector Allocation as on June 30th 2015 and 2016



Performance Review

Meezan Cash Fund (MCF) provided a competitive return of 4.59% to its investors for the year ended June 30, 2016 as compared to its benchmark return of 4.49%.

The Fund earned a gross income of Rs. 301 million, which was primarily due to profit on bank deposits and placements amounting to Rs. 283 million and profit on Sukuks certificates amounting to Rs. 22 million. The fund also incurred expenses totalling to Rs. 79 million and element of loss and capital loss of Rs. 121 million, which brought the net income figure to Rs. 102 million. The net assets of the Fund as at June 30, 2016 were Rs. 3,432 million as compared to Rs. 7,618 million at the end of last year. The net asset value per unit as at June 30, 2016 was Rs. 50.14 as compared to Rs. 50.10 per unit as on June 30, 2015.

Performance Table with Benchmark

	MCF	Six Month deposits at Islamic Banks
Net Asset Value as on June 30, 2015	50.10	
Net Asset Value as on June 30, 2016	50.14	
Return During the Period - Net	4.59%	4.49%
Outperformance - Net	0.10%	

Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2016 was Rs. 2.25 per unit (4.5%). Total distribution made by the fund was Rs. 98.45 million.

Fund Stability Rating

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

Breakdown of unit holdings by size

(As on June 30, 2016)

Range (Units)	No. of Investors
1 - 9,999	2,488
10,000 - 49,999	738
50,000 - 99,999	122
100,000 - 499,999	89
500,000 and above	14
Total	3,451



Meezan Bank
The Premier Islamic Bank

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

August 03, 2016/Shawwal 28, 1437

Alhamdulillah, the period from July 1, 2015 to June 30, 2016 was the eighth year of operations of Meezan Cash Fund (MCF) under management of Al Meezan Investment Management Limited (Al Meezan). We Meezan Bank Limited are the *Shari'ah* Advisor of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MCF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MCF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MCF for the year ended June 30, 2016 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Inqan 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',
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Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN CASH FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Cash Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the board.
8. The meetings of the board were presided over by the Chairman, and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two members of the Board of Director of the Management Company are exempt from the requirements of the Directors' Training Program as per the proviso to clause 5.19.7 of the CCG, whilst the three Board members have completed their Directors' certification programs from institutes meeting the criteria specified by the Securities & Exchange Commission of Pakistan.

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



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



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

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

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

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

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

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

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

Date: 31 AUG 2016
Karachi

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

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



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Independent Auditors' Report to the Unitholders

Report on the Financial Statements

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

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



KPMG Taseer Hadi & Co.



Report on Other Legal and Regulatory Requirements

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

Date: 31 AUG 2015

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Malik

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Assets			
Balances with banks	4	2,038,551	3,177,258
Investments	5	800,000	1,291,766
Receivable on issuance and conversion of units		1,143,931	3,505,115
Profit receivable	6	42,088	59,920
Deposits and prepayments	7	564	521
Total assets		4,025,134	8,034,580
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8	28,124	19,805
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	616	338
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	3,752	2,975
Payable on redemption and conversion of units		485,498	314,563
Dividend payable		25	3,820
Accrued expenses and other liabilities	11	75,337	75,340
Total liabilities		593,352	416,841
Net assets		3,431,782	7,617,739
Contingencies and commitments	12		
Unitholders' fund (as per statement attached)		3,431,782	7,617,739
Number of units			
Number of units in issue	13	68,440,635	152,058,910
Rupees			
Net assets value per unit		50.14	50.10

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			
Profit on saving accounts with banks		244,941	200,965
Profit on term deposit receipts		37,818	54,446
Profit on sukuk certificates		12,130	14,092
Profit on Government of Pakistan (GoP) Ijarah Sukuks		9,965	77,939
Realised (loss) / gain on sale of sukuk certificates (net)		(3,575)	1,117
Other income		5	6
		301,284	348,565
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.2 & 5.3	-	1,796
Total income		301,284	350,361
Expenses			
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8.1	50,012	39,672
Sindh Sales Tax and Federal Excise Duty on Management Fee	8.2 & 8.3	16,126	13,250
Allocated Expenses	8.4	1,996	-
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	4,501	3,725
Sindh Sales Tax on trustee fee	9.1	630	-
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	3,752	2,975
Auditors' remuneration	14	433	385
Fees and subscription		687	266
Legal and professional charges		65	-
Brokerage expense		74	68
Bank and settlement charges		260	95
Provision for Workers' Welfare Fund (WWF)	15	-	4,818
Total expenses		78,536	65,254
Net income from operating activities		222,748	285,107
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)		(120,972)	(49,008)
Net income for the year before taxation		101,776	236,099
Taxation	20	-	-
Net income for the year after taxation		101,776	236,099
Other comprehensive income for the year		-	-
Total comprehensive income for the year		101,776	236,099

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

	2016 (Rupees in '000)	2015
Undistributed income brought forward		
- Realised	11,339	8,803
- Unrealised	1,796	-
	13,135	8,803
Interim distribution on June 24 , 2016 for the year ended June 30, 2016 - cash dividend @ 4.50% (Rs. 2.25 per unit)	(98,455)	-
Interim distribution on June 26 , 2015 for the year ended June 30, 2015 - cash dividend @ 7.40% (Rs. 3.7 per unit)	-	(231,767)
	(98,455)	(231,767)
Net income for the year	101,776	236,099
Undistributed income carried forward	16,456	13,135
Undistributed income carried forward		
- Realised	16,456	11,339
- Unrealised	-	1,796
	16,456	13,135

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

	2016 (Rupees in '000)	2015 (Rupees in '000)
Net assets at beginning of the year	7,617,739	3,049,366
Issuance of 390,234,132 units (2015: 340,395,838 units)	19,944,424	17,552,734
Redemption of 473,852,407 units (2015: 249,242,670 units)	(24,254,674)	(13,037,701)
	(4,310,250)	4,515,033
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)	120,972	49,008
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	-	1,796
Realised (loss) / gain on sale of sukuk certificates (net)	(3,575)	1,117
Other net income for the year	105,351	233,186
Total comprehensive income for the year	101,776	236,099
Interim distribution on June 24 , 2016 for the year ended June 30, 2016 - cash dividend @ 4.50% (Rs. 2.25 per unit)	(98,455)	
Interim distribution on June 26 , 2015 for the year ended June 30, 2015 - cash dividend @ 7.40% (Rs. 3.7 per unit)	-	(231,767)
Total distribution for the year	(98,455)	(231,767)
Net income for the year less distribution	3,321	4,332
Net assets at end of the year	3,431,782	7,617,739
	(Rupees)	
Net assets value per unit at beginning of the year	50.10	50.07
Net assets value per unit at end of the year	50.14	50.10

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		101,776	236,099
Adjustments for:			
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.2	-	(1,796)
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)		120,972	49,008
		222,748	283,311
(Increase) / decrease in assets			
Investments (net)		491,766	(1,289,970)
Deposits and prepayments		(43)	(203)
Profit receivable		17,832	4,039
Receivable against Bai Muajjal		-	530,078
		509,555	(756,056)
Increase / (decrease) in liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		8,319	8,137
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		278	56
Payable to Securities and Exchange Commission of Pakistan - (SECP)		777	(1,224)
Accrued expenses and other liabilities		(3)	20,750
		9,371	27,719
Net cash generated from / (used in) operating activities		741,674	(445,026)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		22,305,608	14,047,619
Payment against redemption and conversion of units		(24,083,739)	(12,741,505)
Dividend paid		(102,250)	(227,947)
Net cash (used in) / generated from financing activities		(1,880,381)	1,078,167
Net (decrease) / increase in cash and cash equivalents during the year		(1,138,707)	633,141
Cash and cash equivalents at beginning of the year		3,177,258	2,544,117
Cash and cash equivalents at end of the year	4	2,038,551	3,177,258

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** Meezan Cash Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point in time. The Fund shall seek to maximise preservation of capital and a reasonable rate of return via investing primarily in liquid shariah compliant money market and shariah compliant debt securities. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end Shariah compliant (Islamic) Money Market Scheme listed on the 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.
- 1.4** The Management Company has been given a quality rating of AM2++ and the stability rating of the Fund is AA(f) given by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee.

2. BASIS OF PRESENTATION

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

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis except for investments classified as 'at fair value through profit or loss' 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) Impairment of financial instruments (note 3.1.6);
- (c) Recognition of provision for Workers' Welfare Fund (note 15); and
- (d) Taxation (note 3.7 and 20).

2.5 New, amended and revised standards and interpretations of IFRSs

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

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

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

Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – 'Consolidated Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures') [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that

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

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Fund's financial statements.
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Fund's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
- IAS 32 'Financial Instruments: Presentation' - is amended to clarify that IAS 12 'Income Taxes' applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

3.1.1 Classification

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

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

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

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

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

b) Loans and receivables

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

c) Available for sale

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

3.1.2 Regular way contracts

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

3.1.3 Recognition

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

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

3.1.4 Measurement

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

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

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

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

3.1.5 Fair value measurement principles and provisions

The fair value of financial instruments is determined as follows:

Basis of valuation of government securities

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

Basis of valuation of debt securities

- The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Fund Association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Security and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circulars also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.
- Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the above mentioned circular and subsequent clarification thereon. Additional provision may be recognised when there is objective evidence of the continuity of non-performance. Further, the reversal of provision is also made in accordance with the said circulars and subsequent clarifications.

3.1.6 Impairment

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

3.1.7 Derecognition

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

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

3.1.8 Offsetting of financial instruments

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

3.2 Unitholders' fund

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

3.3 Issuance and redemption of units

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

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

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

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

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

3.5 Provisions

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

3.6 Net assets value per unit

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

3.7 Taxation

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

Current

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

Deferred

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

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

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

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

3.8 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently on the date when the transaction takes place.
- (ii) Profit on bank deposits is recognised on time proportion basis using effective yield method.
- (iii) Income on sukuk certificates, placements and government securities is recognised on a time proportionate basis using effective yield method.

3.9 Expenses

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

3.10 Earnings per unit

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

3.11 Cash and cash equivalents

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

3.12 Distribution

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

4. BALANCES WITH BANKS

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
On saving accounts	4.1 & 4.2	2,025,730	3,167,390
On current accounts		12,821	9,868
		2,038,551	3,177,258

4.1 The balances in saving accounts have an expected profit ranging from 2.50% to 6.20% per annum (2015: 4.00% to 9.27% per annum).

4.2 The balances include Rs. 36.06 million (2015: Rs. 574.501 million) with related party, Meezan Bank Limited, on which average return is earned at 2.50% (2015: 4.00%) per annum.

5. INVESTMENTS

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
Investments - 'loans and receivables' - Term Deposit Receipts	5.1	500,000	559,000
Investments - 'loans and receivables' - Sukuk Certificates	5.2	300,000	-
Investments - 'fair value through profit or loss'	5.3	-	732,766
		800,000	1,291,766

5.1 Loans and receivables - Term deposit receipts (TDR)

Name of the bank	Maturity	Profit rate	As at July 01, 2015	TDR's placed during the year	Matured during the year	As at June 30, 2016	Percentage of market value of investments
							----- % -----
Meezan Bank Limited	December 22, 2015	6.19	559,000	-	(559,000)	-	
Habib Metropolitan Bank Limited	March 29, 2016	6.25		450,000	(450,000)	-	
Bank Al Falah Limited	May 12, 2016	6.05		550,000	(550,000)	-	
Habib Metropolitan Bank Limited	June 29, 2016	6.25	-	400,000	(400,000)	-	
Bank Al Falah Limited	September 23, 2016	6.20	-	500,000	-	500,000	62.50
						500,000	

5.2 Loans and receivables - Sukuk Certificates

Name of the Issuer	Maturity	Profit rate	As at July 01, 2015	Purchases during the year	Sales / redemptions during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain / (loss) as at June 30, 2016	Percentage of market value of investments
										----- % -----
Lalpir Power Limited - CP Sukuk (Note 5.2.1 and 5.2.2)	February 4, 2016	6 months KIBOR plus base rate of 0.25%	-	50,000	50,000	-	-	-	-	-
Lalpir Power Limited - CP Sukuk (Note 5.2.1 and 5.2.2)	November 04, 2016	6 months KIBOR plus base rate of 0.25%	-	60,000	-	60,000	300,000	300,000	-	37.50
Total							300,000	300,000	-	
Total cost of investment							300,000			

5.2.1 The nominal value of the sukuk certificate is Rs 5,000 each.

5.2.2 The securities are carried at face value as per the requirements of Circular 33 of 2012 with respect to thinly and non traded debt securities with residual maturity of upto six months.

5.3 Fair value through profit or loss - Held for trading

Name of the Issuer	Maturity	Profit rate	As at July 01, 2015	Purchases during the year	Sales / redemptions during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain / (loss) as at June 30, 2016	Percentage of market value of investments
			----- Number of certificates -----			----- (Rupees in '000) -----			----- % -----	
GoP Ijarah Sukuk - IX (Note 5.3.1)	November 21, 2015	Weighted Average 6 months T-Bills	7,270	-	7,270	-	-	-	-	-
GoP Ijarah Sukuk - X (Note 5.3.1)	November 21, 2015	Weighted Average 6 months T-Bills	-	5,780	5,780	-	-	-	-	-
GoP Ijarah Sukuk - XIV (Note 5.3.1)	March 28, 2016	Weighted Average 6 months T-Bills	-	50	50	-	-	-	-	-
Total							-	-	-	
Total cost of investment								-		

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

6. PROFIT RECEIVABLE

Note	2016 (Rupees in '000)	2015
Profit receivable on saving accounts with banks	38,367	56,324
Profit receivable on Term deposit receipts	679	2,905
Profit receivable on sukuk certificates	3,042	-
Profit receivable on GOP Ijarah - sukuks	-	691
	42,088	59,920

7. DEPOSITS AND PREPAYMENTS

Deposits	300	300
Prepayments	264	221
	564	521

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

Management Fee	8.1	2,772	3,690
Sindh Sales Tax and Federal Excise			
Duty on Management Fee	8.2 & 8.3	25,075	16,115
Allocated Expenses	8.4	277	
		28,124	19,805

- 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 Money Market Scheme. The remuneration of the Management Company has been charged at the rate of 1 percent per annum of average net assets for the year ended 30 June 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 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.
- 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 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 of FED on remuneration of the Management Company aggregating to Rs. 21.45 million. Had the provision not been made, the Net Asset Value per unit of the Fund as at 30 June 2016 would have been higher by Re. 0.31 per unit.

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

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 tariff structure is as follows:

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

- 9.1** 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.

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 a money market scheme is required to pay an annual fee to the SECP, an amount equal to 0.075% 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 0.075%. 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
Provision for Workers' welfare fund	15	58,585	58,585
Withholding tax payable		16,034	15,913
Shahriah advisor fee payable		389	-
Auditors' remuneration		295	295
Printing expense payable		23	281
Zakat payable		11	241
Brokerage payable		-	25
		75,337	75,340

12. CONTINGENCIES AND COMMITMENTS

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

13. NUMBER OF UNITS IN ISSUE

2016
(Number of units)

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

	2016	2015
Total units in issue at beginning of the year	152,058,910	60,905,742
Units issued during the year	390,234,132	340,395,838
Units redeemed during the year	(473,852,407)	(249,242,670)
Total units in issue at end of the year	68,440,635	152,058,910

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	175	175
Half yearly review	110	110
Other certifications and services	120	100
Out of pocket expenses	28	-
	433	385

15. 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. 58.59 million. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.86 (1.71%).

The mutual funds have been excluded from levy of WWF vide Finance Act, 2015, hence, effectively from 01 July 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.

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	2016	2015
	(Rupees in '000)	
AI Meezan Investment Management Limited (AI Meezan)		
- Management Company		
Remuneration payable	2,772	3,690
Sindh Sales Tax and Federal Excise Duty on management fee payable	25,075	16,115
Allocated Expenses	277	-
Investment of Nil units (June 30, 2015: 8,185,592 units)	-	410,098
Meezan Bank Limited (MBL)		
Balance with bank	36,056	574,501
Investment - Term deposit receipts	-	559,000
Profit receivable on saving account	414	236
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Trustee fee payable	540	338
Sindh Sales Tax on trustee fee payable	76	-
Deposit	100	100
AI Meezan Investment Management Limited - Employees' Gratuity Fund		
Investments of Nil units (June 30, 2015 : 47,160 units)	-	2,363
MFPF - Meezan Capital Preservation Plan - I		
Investments of 46,814 units (June 30, 2015 : 1,591,429 units)	2,347	79,731
MFPF - Meezan Capital Preservation Plan - II		
Investments of Nil units (June 30, 2015 : 21,072,974 units)	-	1,055,756
Meezan Capital Preservation Fund - II		
Investments of 2,531,020 units (June 30, 2015 : 5,570,285 units)	126,905	279,071
Meezan Capital Preservation Fund - III		
Investments of nil units (June 30, 2015: 3,016,655 units)	-	151,134
Directors and executives of the Management Company		
Investments of 184,356 units (June 30, 2015: 76,676 units)	9,244	3,841

**For the year ended
June 30,**

	2016	2015
	(Rupees in '000)	
Al Meezan Investment Management Limited (Al Meezan) - Management Company		
Remuneration for the year	50,012	39,672
Sindh Sales Tax and Federal Excise Duty on management fee	16,126	13,250
Allocated Expenses	1,996	-
Units issued: 4,935,429 units (June 30, 2015: 9,763,501 units)	70,000	490,098
Units redeemed: 13,121,021 units (June 30, 2015: 1,577,909 units)	668,976	80,679
Meezan Bank Limited (MBL)		
Profit on saving account	11,065	3,780
Profit on term deposit receipts	15,728	9,483
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Trustee fee	4,501	3,725
CDS charges	7	5
Sindh Sales Tax on Trustee Fee	630	-
Al Meezan Investment Management Limited - Employees' Gratuity Fund		
Units issued: Nil units (June 30, 2015: 3,247 units)	-	163
Units redeemed: 47,160 units (June 30, 2015: Nil)	2,365	-
MFPF - Meezan Capital Preservation Plan - I		
Units issued: 30,088,533 units (June 30, 2015: 44,048,088 units)	1,536,930	2,271,204
Units redeemed: 31,633,148 units (June 30, 2015: 42,456,659 units)	1,623,991	2,213,310
Dividend Paid	101	-
MFPF - Meezan Capital Preservation Plan - II		
Units issued: 49,329,322 units (June 30, 2015: 71,240,338 units)	2,504,395	3,754,086
Units redeemed: 70,402,296 units (June 30, 2015: 50,167,364 units)	3,594,445	2,665,900
Meezan Capital Preservation Fund - II		
Units issued: 50,358,626 units (June 30, 2015: 6,984,502 units)	2,606,422	367,994
Units redeemed: 53,397,892 units (June 30, 2015: 1,414,217 units)	2,762,448	76,000
Meezan Capital Preservation Fund - III		
Units issued: 64,902,849 units (June 30, 2015: 8,224,039 units)	3,340,390	432,531
Units redeemed: 67,919,504 units (June 30, 2015: 5,207,384 units)	3,497,909	279,300
MFPF - Meezan Asset Allocation Plan - I		
Units issued: 17,878,903 units (June 30, 2015: Nil units)	906,714	-
Units redeemed: 17,878,903 units (June 30, 2015: Nil units)	909,257	-
Directors and executives of the Management Company		
Units issued: 444,641 units (June 30, 2015: 162,005 units)	22,413	8,559
Units redeemed: 313,352 units (June 30, 2015: 111,023 units)	16,102	5,799
Dividend Paid	86	-

17. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

17.1 Market risk

17.1.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of a change in market price (other than Currency risk or Interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instrument traded in the market. The Fund, at present is not exposed to price risk as at June 30, 2016 as it does not invest in equity securities.

17.1.2 Interest rate risk

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

Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts and investment in debt securities. At June 30, 2016, if there had been increase / decrease of 100 basis points in interest rates or in rates announced by Financial Market Association, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs. 28.257 million (2015: Rs. 44.592 million) mainly as a result of finance income.

Fair value interest rate risk

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

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					
<i>Financial assets</i>					
Balances with banks	2.5% to 6.2%	2,025,730	-	-	2,038,551
Investments - 'loans and receivables' - Term Deposit Receipts	6.05% to 6.25%	500,000	-	-	500,000
Investments - 'loans and receivables' - Sukuk Certificates	6 months KIBOR plus base rate of 0.25%	-	300,000	-	300,000
Investments - 'fair value through profit or loss' Receivable on issuance and conversion of units		-	-	-	-
Profit receivable		-	-	-	1,143,931
Deposits		-	-	-	42,088
		-	-	-	300
		2,525,730	300,000	-	1,199,140
					4,024,870

As at 30 June 2016

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)					
<i>Financial liabilities</i>					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	-	-	-	28,124	28,124
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	-	-	-	616	616
Payable on redemption and conversion of units	-	-	-	485,498	485,498
Dividend payable	-	-	-	25	25
Accrued expenses and other liabilities	-	-	-	707	707
	-	-	-	514,970	514,970
On-balance sheet gap	2,525,730	300,000	-	684,170	3,509,900
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total interest rate sensitivity gap	2,525,730	300,000	-		
Cumulative interest rate sensitivity gap	2,525,730	2,825,730	2,825,730		

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)					
<i>On-balance sheet financial instruments</i>					
<i>Financial assets</i>					
Balances with banks	4.00% to 9.27%	3,167,390	-	9,868	3,177,258
Investments - 'loans and receivables' - Term Deposit Receipts	6.19% to 9%	-	559,000	-	559,000
Investments - 'loans and receivables' - Sukuk Certificates		-	-	-	-
Investments - 'fair value through profit or loss' Weighted Average 6 months T-Bills		-	732,766	-	732,766
Receivable on issuance and conversion of units		-	-	3,505,115	3,505,115
Profit receivable		-	-	59,920	59,920
Deposits		-	-	300	300
		3,167,390	1,291,766	3,575,203	8,034,359
<i>Financial liabilities</i>					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	19,805	19,805
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	338	338
Payable on redemption and conversion of units		-	-	314,563	314,563
Dividend payable		-	-	3,820	3,820
Accrued expenses and other liabilities		-	-	601	601
		-	-	339,127	339,127
On-balance sheet gap		3,167,390	1,291,766	3,236,076	7,695,232
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		3,167,390	1,291,766		
Cumulative interest rate sensitivity gap		3,167,390	4,459,156	4,459,156	

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2016 is not necessary indicative of the effect on the fund's net asset due to future movements in interest rates.

17.1.3 Currency risk

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

17.2 Credit risk

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

Credit risk arises from deposits with banks and financial instruments, profit receivable on bank deposits, receivable against issuance and conversion of units and credit exposure arising as a result of receivable against sale of investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund minimises the credit risk. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio mainly comprises of government guaranteed GoP Ijara Sukuks and balances with banks. As transactions are entered with credit worthy parties thereby any significant concentration of credit risk is mitigated.

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

	2016	2015
	(Rupees in '000)	
Financial assets exposed to credit risk		
Balances with banks	2,038,551	3,177,258
Investments	800,000	559,000
Receivable on issuance and conversion of units	1,143,931	3,505,115
Profit receivable	42,088	59,920
Deposits	300	300
	4,024,870	8,034,359

Credit rating wise analysis of balances with banks and term deposit receipts of the Fund are tabulated below:

	Rating agency	2016		2015	
		(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)
AAA	PACRA/ JCR-VIS	569,962	22.45	917,910	28.89
AA+	PACRA/ JCR-VIS	418,280	16.48	2,054,415	64.66
A+	PACRA/ JCR-VIS	1,006	0.04	-	-
AA	PACRA/ JCR-VIS	1,549,303	61.03	763,933	6.45
		2,538,551	100.00	3,736,258	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. The issuer of the sukuks, however, pledges security with the investment agent in trust for the benefit of sukuk holders.

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

17.3 Liquidity risk

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

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

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

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

In addition to Unitholders' fund, analysis of the financial liabilities into relevant maturity grouping as at June 30, 2016, alongwith comparative is tabulated 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	28,124	-	-	-	28,124
Payable to Central Depository Company - Trustee	616	-	-	-	616
Payable on redemption and conversion of units	485,498	-	-	-	485,498
Dividend payable	25	-	-	-	25
Accrued expenses and other liabilities	707	-	-	-	707
	514,970	-	-	-	514,970
	2015				
	Maturity upto			More than one year	Total
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited - Management Company	19,805	-	-	-	19,805
Payable to Central Depository Company - Trustee	338	-	-	-	338
Payable on redemption and conversion of units	314,563	-	-	-	314,563
Dividend payable	3,820	-	-	-	3,820
Accrued expenses and other liabilities	601	-	-	-	601
	339,127	-	-	-	339,127

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

18. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date. The Fund does not hold any securities that are based on quoted market prices.

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

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

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

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

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

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

June 30, 2016	Note	Carrying amount				Fair value			
		Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3
Financial assets - measured at fair value									
Financial assets - not measured at fair value									
		Investments - 'loans and receivables'							
		- Term Deposit Receipts							
	19.1	500,000	-	-	-	500,000	-	-	-
		Investments - 'loans and receivables'							
		- Sukuk Certificates							
	19.1	300,000	-	-	-	300,000	-	-	-
	19.1	-	-	2,038,551	-	2,038,551	-	-	-
		Receivable on issuance and conversion of units							
	19.1	-	1,143,931	-	-	1,143,931	-	-	-
	19.1	-	42,088	-	-	42,088	-	-	-
	19.1	-	300	-	-	300	-	-	-
		800,000	1,186,319	2,038,551	-	4,024,870	-	-	-
Financial liabilities - not measured at fair value									
		Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company							
	19.1	-	-	-	28,124	28,124	-	-	-
		Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee							
	19.1	-	-	-	616	616	-	-	-
		Payable on redemption and conversion of units							
	19.1	-	-	-	485,498	485,498	-	-	-
	19.1	-	-	-	25	25	-	-	-
	19.1	-	-	-	707	707	-	-	-
		-	-	-	514,970	514,970	-	-	-

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

20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 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).

21. PERFORMANCE TABLE

	2016	2015	2014	2013	2012
Net assets (Rs '000) (ex-distribution)	3,431,782	7,617,739	3,049,366	6,510,774	7,418,771
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution) *	50.14	50.10	50.07	50.06	50.08
Offer price per unit as at June 30 (Rs) (ex-distribution) *	50.07	50.10	50.07	50.06	50.08
Distribution (%)					
- First interim distribution	4.50	7.40	0.54	0.60	1.70
- Second interim distribution	-	-	0.60	1.00	0.90
- Third interim distribution	-	-	0.60	0.76	0.88
- Fourth interim distribution	-	-	0.64	0.84	0.98
- Fifth interim distribution	-	-	0.54	0.72	0.80
- Sixth interim distribution	-	-	0.60	0.64	0.86
- Seventh interim distribution	-	-	0.60	0.72	0.88
- Eighth interim distribution	-	-	0.60	0.64	0.80
- Ninth interim distribution	-	-	0.60	0.62	0.80
- Tenth interim distribution	-	-	0.52	0.68	0.90
- Eleventh interim distribution	-	-	0.48	0.60	0.64
- Final distribution	-	-	0.52	0.66	-
Dates of distribution					
- First interim distribution	Jun 24, 2016	Jun 26, 2015	Jul 23, 2013	Jul 22, 2012	Aug 23, 2011
- Second interim distribution	-	-	Aug 22, 2013	Aug 22, 2012	Sep 23, 2011
- Third interim distribution	-	-	Sep 20, 2013	Sep 20, 2012	Oct 20, 2011
- Fourth interim distribution	-	-	Oct 23, 2013	Oct 22, 2012	Nov 22, 2011
- Fifth interim distribution	-	-	Nov 21, 2013	Nov 22, 2012	Dec 21, 2011
- Sixth interim distribution	-	-	Dec 24, 2013	Dec 20, 2012	Jan 22, 2012
- Seventh interim distribution	-	-	Jan 24, 2014	Jan 22, 2013	Feb 22, 2012
- Eighth interim distribution	-	-	Feb 24, 2014	Feb 21, 2013	Mar 19, 2012
- Ninth interim distribution	-	-	Mar 24, 2014	Mar 22, 2013	Apr 22, 2012
- Tenth interim distribution	-	-	Apr 24, 2014	Apr 23, 2013	May 22, 2012
- Eleventh interim distribution	-	-	May 23, 2014	May 23, 2013	Jun 21, 2012
- Final distribution	-	-	Jun 24, 2014	Jun 24, 2013	-
Income distribution (Rupees in '000)	98,455	231,767	133	127	125,485
Growth distribution (Rupees in '000)	-	-	379,647	570,545	576,365
Highest offer price per unit (Rs.)	52.32	53.72	50.35	50.51	50.86
Lowest offer price per unit (Rs.)	50.09	50.04	50.00	50.00	50.01
Highest redemption price per unit (Rs.)	52.32	53.72	50.35	50.51	50.86
Lowest redemption price per unit (Rs.) *	50.09	50.04	50.00	50.00	49.96
Total return (%)	4.59	7.46	7.08	8.78	10.55
Average annual return (%) as at June 30, 2016					
	One Year	Two Year	Three Year	Four Year	Five Year
	4.59	5.88	6.26	6.82	7.45

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

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 17.

22. INVESTMENT COMMITTEE MEMBERS

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

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

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

- Meezan Islamic Income Fund
- Meezan Sovereign Fund

23. BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name

2016 2015
(Percentage)

Invest Capital Limited
JS Global Capital Limited

	1.36	-
	98.64	100
	100	100

24. PATTERN OF UNIT HOLDING

As at June 30, 2016

	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	3,355	2,249,296	65.54
Associated companies / directors	4	136,339	3.97
Insurance companies	10	218,565	6.37
Banks / DFIs	1	9	0.00
Retirement Funds	34	151,755	4.42
Private limited companies	24	561,325	16.36
Others	23	114,493	3.34
Total	3,451	3,431,782	100.00

	As at June 30, 2015		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	3,109	3,048,320	40.00
Associated companies / directors	9	1,978,768	25.98
Insurance companies	16	840,988	11.04
Banks / DFIs	1	8	0.00
Retirement Funds	32	139,868	1.84
Public limited companies	4	129,894	1.71
Others	61	1,479,893	19.43
Total	3,232	7,617,739	100.00


25. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 25, 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. P. Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Moin M Fudda	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
Mr. Atif Azim	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
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes

26. DATE OF AUTHORISATION FOR ISSUE

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

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


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director

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

AS AT JUNE 30, 2016

UNITS HELD BY	UNITS HELD	%
Associated Companies		
MFPF - Meezan Capital Preservation Plan - I	46,814	0.07
Meezan Capital Preservation Fund - II	2,531,020	3.70
Chief Executive		
Mr. Mohammad Shoaib, CFA	1,678	0.00
Directors		
Mr. Mazhar Shareef	4,140	0.01
Mr. Syed Amir Ali	137,056	0.20
Executives		
	43,159	0.06
Banks and financial institutions		
	176	0.00
Individuals		
	44,858,285	65.54
Retirements funds		
	3,026,474	4.42
Public limited companies		
	1,035,870	1.51
Other corporate sector entities		
	16,755,962	24.48
Total	68,440,635	100.00



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