

IN HARMONY
WITH GROWTH



ANNUAL REPORT
2017



Meezan
Islamic Fund



Al Meezan
Mutual Fund



KSE-Meezan
Index Fund



Meezan
Energy Fund



Meezan
Balanced Fund



Meezan
Asset Allocation Fund



Meezan
Gold Fund



ANNUAL REPORT
2017

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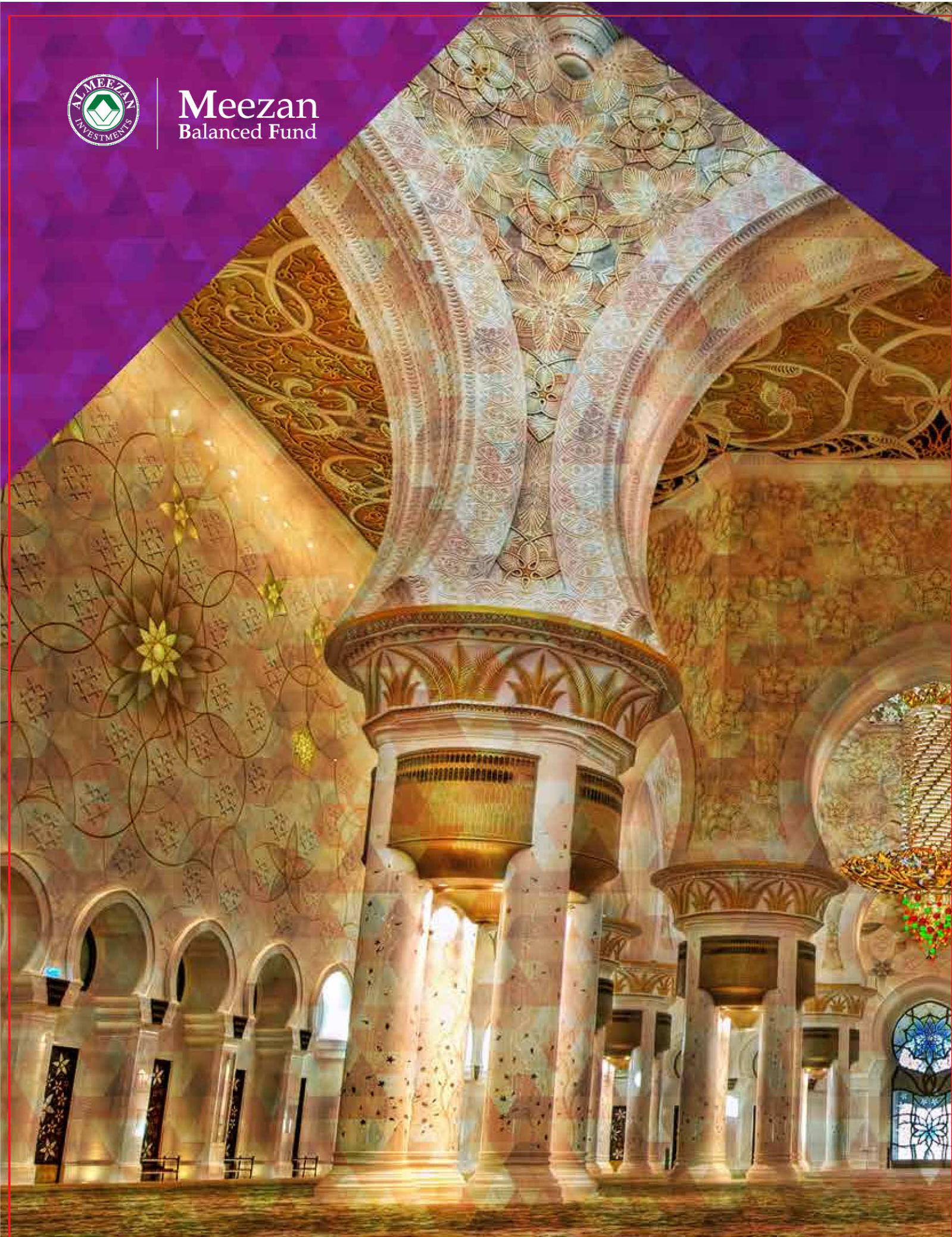


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Meezan Balanced Fund





MEEZAN BALANCED FUND (MBF):

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

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive	
Mr. P. Ahmed	Independent	
Mr. Moin M. Fudda	Independent	
Mr. Atif Azeem	Independent	
Mr. Mazhar Sharif	Non-Executive	
Mr. Ijaz Farooq	Non-Executive	
Mr. Abdullah Ahmed Mohammad	Non-Executive	
Syed Amir Ali	Non-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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Ijaz Farooq	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited



REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2017

Type of Fund

Balanced category fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products.

Objective

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

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

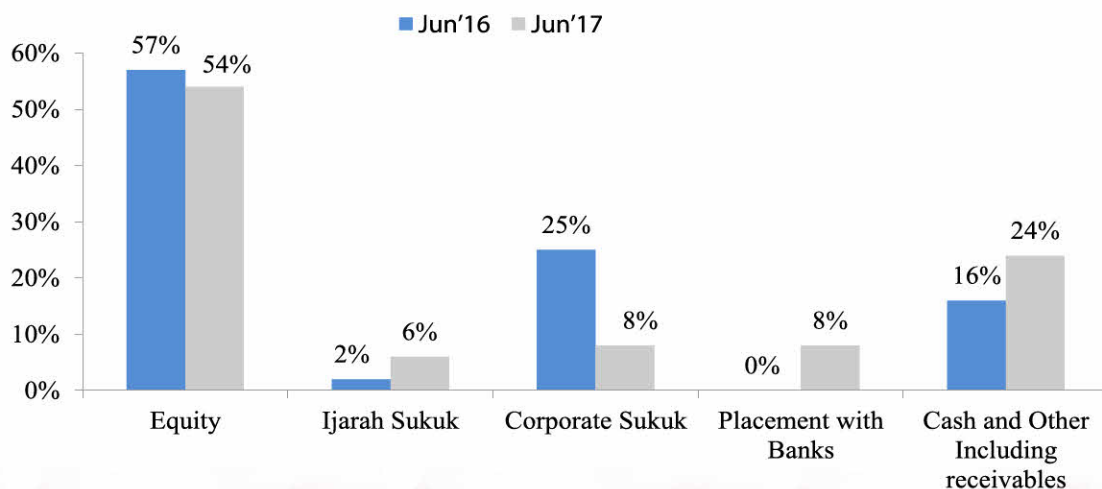
Strategy and Investment Policy

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

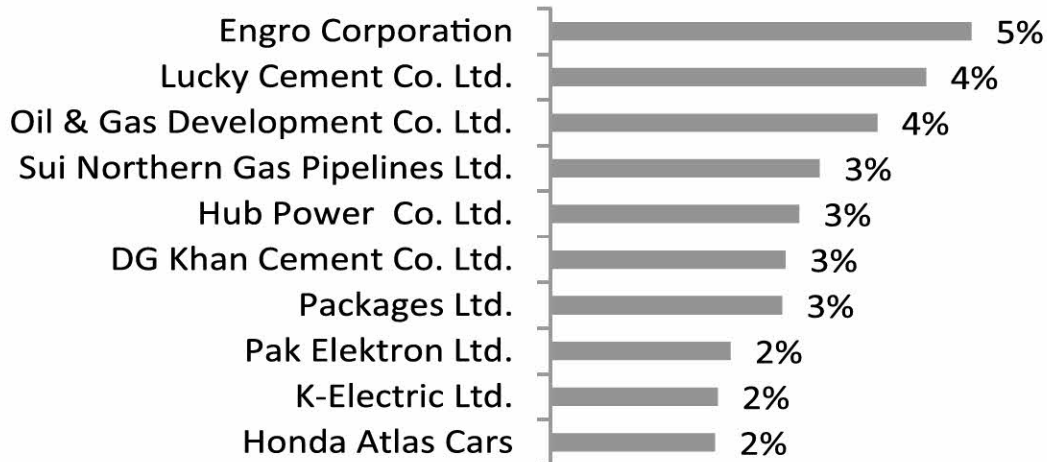
During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum, the fund manager over the period kept the duration of the fixed income portfolio below six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

During the year, the fund maintained significant exposure to Cement, Oil & Gas, Fertilizer and Paper & Board sectors because of better prospects of these sectors. The average equity exposure in the fund during the year was 56% while the remaining was deployed in quality fixed income instruments.

Sector Allocation as on June 30th 2016 and 2017



Top Holdings

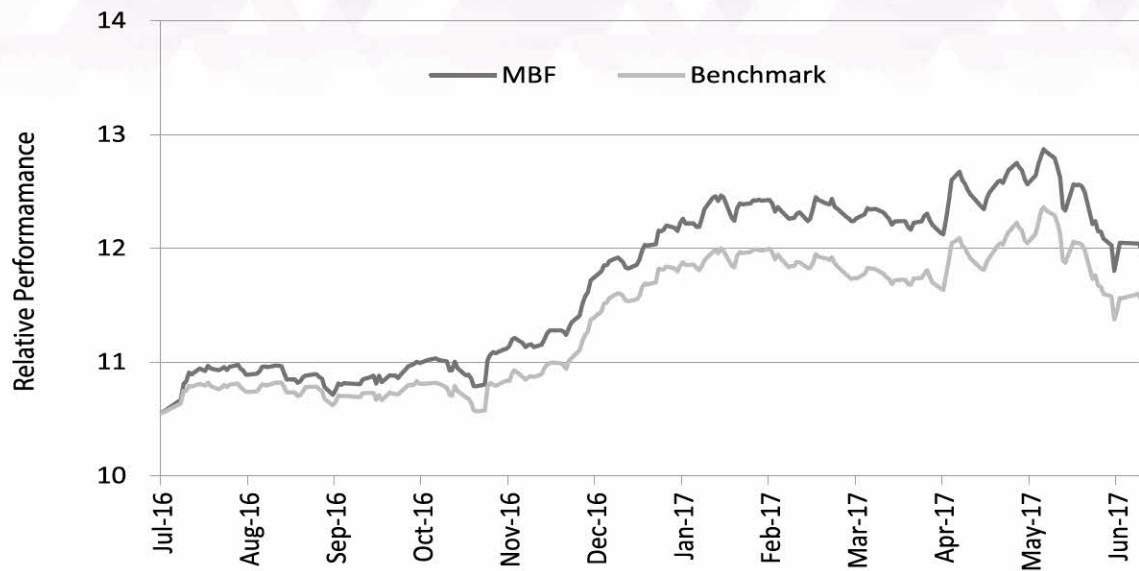


Performance Review

During FY17, Meezan Balanced Fund (MBF) provided a return of 14.89% to its investors compared to benchmark return of 12.01%.

MBF posted a total income of Rs. 974 million in the fiscal year 2017 as compared to Rs. 638 million last year. Total income comprised of realized and unrealized gain on investments of Rs. 105 million and Rs. 472 million respectively. Dividend income contributed Rs. 159 million to income, while profit on saving accounts with banks including profit on term deposit receipts amounted to Rs. 111 million. Profit on Sukuks certificates was Rs. 88 million. On the other side, income from reversal of WWF amounted to Rs. 38 million. After accounting for expenses of Rs. 236 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 494 million, the Fund posted a net profit of Rs. 1,232 million. The net assets of the Fund as at June 30, 2017 were Rs. 9,516 million as compared to Rs. 4,708 million at the end of last year depicting an increase of 102.14%. The net asset value per unit as at June 30, 2017 was Rs. 16.95 as compared to Rs. 15.84 per unit as on June 30, 2016.

NAV (Dividend Adjusted)	30-Jun-16	30-Jun-15	Change (%)
Meezan Balanced Fund	16.95	15.84	14.89%
Benchmark Returns (Inputs)			
KMI 30	78,598	66,163	18.80%
Average Yield on Islamic Bank Deposits (annualized)			2.78%
KMI 30 Return			12.01%
Benchmark Return			12.01%
Outperformance			2.88%



Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2017 an amount of Rs. 2 million was accrued as charity payable.

Distribution

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2017 was Rs. 1.25 per unit (12.50%). Total distribution made by the fund was Rs. 643.94 million.

Breakdown of unit holdings by size

(As on June 30, 2017)

Range (Units)	No. of Investors
1-9,999	2,168
10,000-49,999	1,555
50,000-99,999	634
100,000-499,999	607
500,000 and above	167
Total	5,131



Meezan Bank
The Premier Islamic Bank

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

August 21, 2017/ Dhu Al-Qi'dah 28, 1438

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

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

- i. We have reviewed and approved the modes of investments of MBF in light of *Shari'ah* requirements. Following is the list of investments of MBF as on June 30, 2017 and their evaluation according to the screening criteria established by us. (December 31, 2016 accounts of the Investee companies have been used for the following calculations*):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation Ltd	Fertilizer	23.55%	22.29%	0.73%	63%	(28.82)	
Lucky Cement	Cement	7.81%	15.66%	2.87%	67%	1.64	866
Oil & Gas Development Company***	Oil and Gas Exploration Companies	0.00%	25.07%	6.21%	39%	59.07	165.35
SNGPL	Oil & Gas Marketing Companies	20.70%	0%	1.39%	58%	(231.74)	
Hub Power Co Ltd	Power Generation and Distribution	29.47%	0%	0.18%	39%	(26.82)	

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

** All interest based debts.

*** OGDC scrip has been considered compliant due to circular debt issue and restriction on selling government securities.

Meezan Bank Ltd.

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

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- ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2017 have been in compliance with the *Shari'ah* principles.

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

During the year a provision of Rupees 2.00 million was created and an amount of Rupees 3.21 million was available for disbursement as of June 30, 2017.

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

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN BALANCED FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Balanced Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 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.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 14, 2017





STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.24 of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes:

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on June 14, 2017 was filled up the directors within 30 days.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman, and 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. The Board of Directors of the Management Company meets the requirements of the Directors' Training Program as per proviso to clause 5.19.7 of the Code of Corporate Governance.

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, of whom 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, of whom three are non-executive directors and the chairman of the committee is a non-executive director.
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 net asset value (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 the material principles enshrined in the CCG have been complied with.



Mohammad Shoaib, CFA
Chief Executive

Dated: August 24, 2017
Karachi.



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

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Internet www.kpmg.com.pk

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Al Meezan Investment Management Limited (“Management Company”) of the Fund for the year ended 30 June 2017 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 Islamabad Stock Exchange Limited) where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of 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 2017.

Date: 24 August 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



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

Report on the Financial Statements

We have audited the accompanying financial statements of **Meezan Balanced Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2017, 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 2017, 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: 24 August 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Aryn Malik


STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
Assets			
Balances with banks	4	1,842,313	660,332
Investments	5	7,504,175	4,072,532
Receivables on issuance and conversion of units		444,069	84,926
Dividend receivable		19,039	7,571
Receivables against investments (net)		1,851	4,020
Deposits and other receivables	6	74,354	28,304
Total assets		9,885,801	4,857,685
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	29,352	10,333
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	993	534
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	6,210	3,768
Payable to Meezan Bank Limited (MBL)		3,050	1,316
Payable on redemption and conversion of units		87,821	11,793
Accrued expenses and other liabilities	10	154,900	102,255
Dividend payable		87,370	19,999
Total liabilities		369,696	149,998
Net assets		9,516,105	4,707,687
Contingencies and commitments	11		
Unitholders' fund (as per statement attached)		9,516,105	4,707,687
(Number of units)			
Number of units in issue	14	561,280,121	297,201,395
(Rupees)			
Net assets value per unit		16.95	15.84

The annexed notes 1 to 27 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director



INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
Income			
Net realised gain on sale of investments		104,688	43,529
Dividend income		159,463	130,785
Profit on saving accounts with banks		88,454	50,012
Profit on term deposit receipts		22,990	9,637
Profit on sukuk certificates		88,054	68,038
Reversal of provision for Workers' Welfare Fund (WWF)	12	37,909	-
Other income		220	-
		501,778	302,001
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.2.1.1	472,090	336,134
Total income		973,868	638,135
Expenses			
Remuneration to AI Meezan Investment Management Limited (AI Meezan) - Management Company	7.1	146,130	88,593
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 10.2	18,997	28,586
Allocated expenses		7,307	2,476
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	8,306	5,434
Sindh Sales Tax on trustee fee	8.1	1,080	761
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	6,210	3,768
Auditors' remuneration	13	521	518
Charity expense	10.1	2,005	1,300
Fees and subscription		844	442
Legal and professional charges		103	207
Brokerage expense		4,216	3,098
Bank and settlement charges		1,437	1,183
Provision for Sindh Workers' Welfare Fund (SWWF)	12	38,656	-
Printing expenses		164	-
Total expenses		235,976	136,366
Net income from operating activities		737,892	501,769
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		494,067	12,935
Net income for the year before taxation		1,231,959	514,704
Taxation	20	-	-
Net income for the year after taxation		1,231,959	514,704
Other comprehensive income for the year			
Items that may be reclassified to income statements in subsequent periods			
Unrealised appreciation on re-measurement of investments classified as 'available for sale' (net)	5.2.2	9,066	3,305
Total comprehensive income for the year		1,241,025	518,009

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
Undistributed income brought forward			
- Realised		607,343	408,678
- Unrealised		336,134	189,493
		943,477	598,171
Interim distribution for the period ended June 30, 2017			
- cash dividend @ 12.50% i.e. Rs. 1.25 per unit (June 30, 2016: 6% i.e. Rs. 0.6 per unit)		(643,935)	(171,188)
Total distribution		(643,935)	(171,188)
Net income for the year		1,231,959	514,704
Element of income and capital gains included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)		28,322	1,790
Undistributed income carried forward		1,559,823	943,477
Undistributed income carried forward			
- Realised		1,087,733	607,343
Unrealised	5.1.2.1.1	472,090	336,134
		1,559,823	943,477

The annexed notes 1 to 27 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Mazhar Sharif
Director



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2017

Note	2017 (Rupees in '000)	2016
Net assets at the beginning of the year	4,707,687	3,383,460
Issuance of 498,655,554 units (June 30, 2016: 197,244,417 units)	8,997,498	3,005,557
Redemption of 234,576,828 units (June 30, 2016: 130,740,391 units)	(4,292,103)	(2,015,216)
	4,705,395	990,341
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(494,067)	(12,935)
Net realised gain on sale of investments	104,688	43,529
Unrealised appreciation on re-measurement of investments - (net)	481,156	339,439
Other net income for the year	655,181	135,041
Total comprehensive income for the year	1,241,025	518,009
Interim distribution for the period ended June 30, 2017 - cash dividend @ 12.50% i.e. Rs. 1.25 per unit (June 30, 2016: 6% i.e. Rs. 0.6 per unit)	(643,935)	(171,188)
Total distribution	(643,935)	(171,188)
Net income for the year less distribution	597,090	346,821
Net assets at end of the year	9,516,105	4,707,687
	(Rupees)	
Net assets value per unit at beginning of the year	15.84	14.67
Net assets value per unit at end of the year	16.95	15.84

The annexed notes 1 to 27 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Mazhar Sharif
Director


CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		1,231,959	514,704
Adjustments for:			
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.2.1.1	(472,090)	(336,134)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(494,067)	(12,935)
		265,802	165,635
(Increase) / decrease in assets			
Investments (net)		(2,950,487)	(873,961)
Dividend receivable		(11,468)	(3,957)
Receivables against investments (net)		2,169	(4,020)
Deposits and other receivables		(46,050)	(7,111)
		(3,005,836)	(889,049)
Increase / (decrease) in liabilities			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company		19,019	(17,700)
Payable to Central Depository Company of Pakistan Limited - Trustee		459	176
Payable to Securities and Exchange Commission of Pakistan		2,442	1,633
Payable to Meezan Bank Limited (MBL)		1,734	1,316
Accrued expenses and other liabilities		52,645	46,171
		76,299	31,596
Net cash used in operating activities		(2,663,735)	(691,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		8,638,355	3,118,671
Payment against redemption and conversion of units		(4,216,075)	(2,013,643)
Dividend paid		(576,564)	(190,902)
Net cash generated from financing activities		3,845,716	914,126
Net increase in cash and cash equivalents during the year		1,181,981	222,308
Cash and cash equivalents at beginning of the year		660,332	438,024
Cash and cash equivalents at end of the year	4	1,842,313	660,332

The annexed notes 1 to 27 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

1.2 The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP.

1.3 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality Shariah Compliant equity securities and Islamic income instruments such as Term Finance Certificates, Islamic Sukuks (certificates of Islamic investment), musharaka certificates, Government Securities, Cash in bank accounts, Money Market Placements, Deposits, Certificates of Deposits, Term Deposit Receipts, Commercial Papers, Reverse Repos, Spread Transactions, and other Shariah compliant instruments as indicated by the Commission. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Islamic Shariah.

1.4 Units of the fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Management Company has been given a quality rating of AM1 by JCR - VIS Credit Rating Company Limited.

1.5 The Fund is an open-end fund listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The Fund is categorized as Shariah Compliant Balanced Fund in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP).

1.6 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

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

2.1.2 The Companies Act, 2017 was enacted on May 30, 2017 and is applicable with immediate effect. The Securities and Exchange Commission of Pakistan through press release and vide circular no 17 of 2017 dated July 20, 2017 has decided that all the companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017, shall prepare their financial statements, including interim financial statements, in accordance with the provisions of the repealed Companies Ordinance, 1984. The new requirements of the Companies Act, 2017 shall be applicable to the companies having their financial year closure after June 30, 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and assumptions

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

- (a) Classification and valuation of financial instruments (notes 3.1 and 5);
- (b) Recognition of provision for Sindh Workers' Welfare Fund (SWWF) (note 12);
- (c) Impairment of financial instruments (note 3.1.5);
- (d) Taxation (note 3.8 and 20); and
- (e) Provision for Federal Excise Duty and related Sindh Sales Tax on management fee and sales load (note 10)

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

The following standards, amendments and interpretations of approved accounting standards and requirements of Companies Act, 2017, will be effective for accounting periods beginning on or after July 01, 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the existence of a deductible temporary difference depends



solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Fund's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after January 01, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 01, 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Fund's financial statements.
 - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 01, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
 - IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction

for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple which receipt of in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

- As disclosed in note 2.1.2, the new requirements of the Companies Act, 2017, shall be applicable to the financial statements issued on or after June 30, 2017. The Act included mutual funds in Third Schedule, accordingly certain additional requirements / disclosures in Fifth Schedule are also applicable to the financial statements of mutual funds. Significant disclosures / requirements, which are relevant to the funds includes but not limited to: name of associated companies or related parties or undertakings along with the basis of relationship describing common directorship and / or percentage of shareholding; summary of significant transactions and events that have affected the financial position and performance during the year; additional disclosure in respect of contingencies, name of the Court, the date case was instituted, principal parties and factual basis of proceedings; management assessment of sufficiency of tax provision including comparisons of tax provision as per accounts with tax assessment for last three years and items such as, long term deposits and prepayment, unpaid dividend and unclaimed dividend shall be disclosed as a separate line items on payment or receipt of face of the financial statements.

The above amendments are not likely to have an impact on Fund's financial statements except for additional disclosures and reclassifications mentioned above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

3.1.1 Classification

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

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

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price 1 fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

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



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

(b) Loans and receivables

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

(c) Available for sale

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

3.1.2 Recognition

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

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

3.1.3 Measurement

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

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

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

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

3.1.4 Fair value measurement principles

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

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

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

Basis of valuation of government securities:

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

Basis of valuation of equity securities:

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

3.1.5 Impairment

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

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

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

3.1.6 Derecognition

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

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

3.1.7 Offsetting of financial instruments

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

3.1.8 Regular way contracts

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



3.2 Unitholders' Fund

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

3.3 Issuance and redemption of units

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

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

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

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

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

The element is recognised in the Income Statement to the extent that it is represented by income earned during the year and unrealised appreciation / (diminution) arising during the year on 'available for sale' securities is included in the Distribution Statement.

3.5 Provisions

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

3.6 Net assets value per unit

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

3.7 Earnings per unit

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

3.8 Taxation

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

Current

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

Deferred

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

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

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

However, the Fund has availed the tax exemption by distributing sufficient income of the Fund for the year ended June 30, 2017, as reduced by capital gains (whether realised or unrealised) to its unitholders. Accordingly, no provision for current and deferred tax has been recognised in these financial statements.

3.9 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) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (v) Income on sukuk certificates, term deposit receipts and government securities is recognized on a time proportionate basis using effective yield method, except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.
- (vi) Profit on saving accounts with banks is recognized on time proportion basis using effective yield method.



3.10 Expenses

All expenses, including Management fee, Trustee fee, SECP fee are recognised in the Income Statement as and when incurred.

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 Segment Reporting

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

3.13 Distribution

Distribution including cash dividend and appropriation to reserves are recognised in the year in which they are approved.

4. BALANCES WITH BANKS

	Note	2017 (Rupees in '000)	2016
On current accounts		16,560	7,873
On saving accounts	4.1	1,825,753	652,459
		1,842,313	660,332

4.1 The balances in saving accounts have an expected profit ranging from 2.00% to 5.70% (2016: 2.50% to 6.10%) per annum.

5. INVESTMENTS

	Note	2017 (Rupees in '000)	2016
Investments - 'at fair value through profit or loss'	5.1	6,505,842	3,408,204
Investments - 'available for sale'	5.2	248,333	239,328
Investments - 'loans and receivables'	5.3	750,000	425,000
		7,504,175	4,072,532
5.1 Investments - 'at fair value through profit or loss'			
Held for trading	5.1.1	5,642,673	2,589,926
Investments - 'at fair value through profit or loss upon initial recognition'	5.1.2	863,169	818,278
		6,505,842	3,408,204
5.1.1 Held for trading			
Shares of listed companies 'ordinary shares'	5.1.1.1	5,059,526	2,469,034
Sukuk certificates	5.1.1.4	583,147	120,892
		5,642,673	2,589,926

5.1.1.1 Shares of listed companies 'Ordinary shares'

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2017	Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised gain / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)				
Sector / companies									
Commercial banks									
Meezan Bank Limited (an associate of the Fund)	255,000	5,000	-	260,000	-	-	-	-	-
Automobile assemblers									
Millat Tractors Company Limited	800	-	-	-	800	456	1,099	643	0.01
Indus Motors Company Limited	1,100	-	-	-	1,100	1,034	1,973	939	0.03
Pakistan Suzuki Motor Company Limited	60	-	-	-	60	23	47	24	0.00
Honda Atlas Cars (Pakistan) Limited	251,500	37,100	-	70,000	218,600	82,095	189,677	107,582	2.53
									2.57
Automobile parts and accessories									
Thal Limited (note 5.1.1.2)	61,000	30,000	-	76,000	15,000	6,300	9,090	2,790	0.12
Cable & Electrical Goods									
Pak Elektron Limited	808,750	1,226,500	-	150,000	1,885,250	146,602	207,981	61,379	2.77
Chemicals									
Engro Polymer & Chemicals Limited	-	1,700,000	-	200,000	1,500,000	47,750	54,750	7,000	0.73
ICI Pakistan Limited	95	120,000	-	-	120,095	84,706	131,450	46,744	1.75
Sitara Chemical Industries Limited	2,100	-	-	-	2,100	764	934	170	0.01
									2.49
Cement									
Attock Cement Pakistan Limited	402	-	-	-	402	96	122	26	0.00
Cherat Cement Company Limited	699,000	120,000	-	-	819,000	103,165	146,421	43,256	1.95
Dewan Cement Limited	-	1,846,000	-	1,846,000	-	-	-	-	-
D.G. Khan Cement Company Limited	294,760	1,035,000	-	60,000	1,269,760	278,732	270,662	(8,070)	3.61
Fauji Cement Company Limited	2,436,500	550,000	-	750,000	2,236,500	83,945	91,764	7,819	1.22
Kohat Cement Company Limited	347,900	117,500	-	-	465,400	121,482	106,698	(14,784)	1.42
Lucky Cement Limited	331,400	204,000	-	25,000	510,400	364,205	426,827	62,622	5.69
Maple Leaf Cement Factory Limited	280,000	475,000	-	198,000	557,000	58,525	62,028	3,503	0.83
Power Cement limited	-	1,000,000	-	1,000,000	-	-	-	-	-
Pioneer Cement Limited	578,000	580,500	-	-	1,158,500	130,024	150,605	20,581	2.01
									16.73
Fertilizers									
Dawood Hercules Corporation Limited	338,000	180,000	-	-	518,000	77,024	70,634	(6,390)	0.94
Engro Fertilizers Limited	2,173,500	1,170,000	-	203,500	3,140,000	209,036	173,453	(35,583)	2.31
Engro Corporation Pakistan Limited (note 5.1.1.3)	905,500	625,000	-	40,000	1,490,500	505,951	485,769	(20,182)	6.47
Fauji Fertilizer Company Limited	200	-	-	200	-	-	-	-	-
Fatima Fertilizer Company Limited	6,500	-	-	-	6,500	221	219	(2)	-
									9.72
Technology & Communication									
Pakistan Telecommunication Company Limited "A"	10	-	-	-	10	-	-	-	-
Paper & Board									
Packages Limited	322,900	25,000	-	117,000	230,900	153,238	160,609	7,371	2.14
Refinery									
Attock Refinery Limited	43,000	155,000	-	44,000	154,000	59,382	58,917	(465)	0.79
National Refinery Limited	-	60,000	-	-	60,000	50,108	43,559	(6,549)	0.58
									1.37
Miscellaneous									
Shifa International Hospital Limited	64,584	-	-	35,000	29,584	8,875	9,763	888	0.13
Oil & Gas Exploration									
Oil and Gas Development Company Limited	450,000	2,401,400	-	175,000	2,676,400	412,579	376,543	(36,036)	5.02
Pakistan Oilfields Limited	240,725	151,500	-	12,000	380,225	144,948	174,200	29,252	2.32
Pakistan Petroleum Limited	339,396	175,000	-	25,000	489,396	74,850	72,499	(2,351)	0.97
Mari Petroleum Company Limited (note 11)	84,250	-	-	-	84,250	76,518	132,748	56,230	1.77
									10.08
Oil and Gas Marketing									
Attock Petroleum Limited	-	10,000	-	-	10,000	6,850	6,264	(586)	0.08
Pakistan State Oil Company Limited	332,204	75,000	-	12,000	395,204	151,074	153,082	2,008	2.04
Hascol Petroleum Limited	1,473	150,000	-	-	151,473	48,520	51,667	3,147	0.69
Hi-Tech Lubricants Limited	-	200,000	-	4,600	195,400	22,625	21,301	(1,324)	0.28
Shell Pakistan Limited	-	300	-	-	300	182	173	(9)	-
Sui Southern Gas Company Limited	-	800,000	-	80,000	720,000	29,556	26,215	(3,341)	0.35
Sui Northern Gas Pipeline Limited	5,500	2,677,500	-	597,000	2,086,000	176,853	310,647	133,794	4.14
									7.58



Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2017	Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised gain / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
Pharmaceuticals									
Abbott Laboratories (Pakistan) Limited	83,300	46,900	-	20,000	110,200	90,000	102,993	12,993	1.37
Ferozsons Laboratories Limited	20,400	40,000	-	14,650	45,750	41,305	17,683	(23,622)	0.24
GlaxoSmithKline Consumer Health care	-	215,000	-	10,000	205,000	30,893	42,847	11,954	0.57
The Searle Company Limited (note 11)	156,364	163,100	40,515	10,000	349,979	174,519	179,182	4,663	2.39
Highnoon Laboratories Limited (note 11)	12,320	-	1,478	-	13,798	7,101	8,641	1,540	0.12
									4.69
Food & Personal Care Products									
Engro Foods Limited	-	720,800	-	607,500	113,300	17,285	13,765	(3,520)	0.18
Al-Shaheer Corporation Limited (note 11)	431,500	100,000	40,725	240,000	332,225	16,088	13,325	(2,763)	0.18
									0.36
Power Generation & Distribution									
The Hub Power Company Limited	1,433,097	200,000	-	322,000	1,311,097	159,532	153,962	(5,570)	2.05
K-Electric Limited (note 5.1.1.2)	11,125,000	18,406,000	-	1,645,500	27,885,500	234,292	192,410	(41,882)	2.56
									4.61
Real Estate Investment Trust									
Dolmen City REIT	2,728,000	-	-	-	2,728,000	29,462	32,272	2,810	0.43
Textile composite									
Nishat Mills Limited	-	250,000	-	156,000	94,000	15,031	14,916	(115)	0.20
Kohinoor Textile Mills Limited	60,000	-	-	60,000	-	-	-	-	-
									0.20
Engineering									
Crescent Steel & Allied Products Limited	382,250	189,900	-	313,200	258,950	48,438	61,778	13,340	0.82
Amreli Steel Limited	100,000	-	-	100,000	-	-	-	-	-
International Industries Limited	-	36,500	-	-	36,500	12,661	13,453	792	0.18
International Steel Limited	-	350,000	-	100,500	249,500	32,474	31,909	(565)	0.43
									1.43
Total						4,627,375	5,059,526	432,151	

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

5.1.1.3 150,000 shares of Engro Corporation Limited, having market value of Rs. 48.889 million as at June 30, 2017 (June 30, 2016: Rs. 49.945 million) have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark-to-market losses.

5.1.1.4 Sukuk certificates

Name of the security	Maturity	Profit rate	As at July 01, 2016	Purchases during the year	Sales / Matured during the year	As at June 30, 2017	Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised gain as at June 30, 2017	Percentage of market value of investments
			----- (Number of certificates) -----			----- (Rupees in '000) -----			----- % -----	
GoP Ijarah Sukuk Certificates - XVII (Note 5.1.1.5)	February 15, 2019	Weighted Average 6 months T-Bills	1,190	5,000	3,000	3,190	325,154	328,347	3,193	4.38
GoP Ijarah Sukuk Certificates - XVIII (Note 5.1.1.5)	March 29, 2019	Weighted Average 6 months T-Bills	-	2,500	-	2,500	252,500	254,800	2,300	3.40
Total							577,654	583,147	5,493	
Total cost of investments							577,654			

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

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

	Note	2017 (Rupees in '000)	2016
Shares of listed companies 'Ordinary shares'	5.1.2.1	35,000	53,258
Sukuk certificates	5.1.2.2	828,169	765,020
		863,169	818,278

5.1.2.1 Shares of listed companies (ordinary shares) - fair value through profit or loss upon initial recognition

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2017	Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised gain as at June 30, 2017	Percentage of market value of investments
(Number of shares).....				(Rupees in '000).....		 %
Sector / companies									
Automobile assemblers									
Indus Motor Company Limited	42,455	-	-	23,900	18,555	17,433	33,280	15,847	0.44
Commercial banks									
Meezan Bank Limited (an associate of the Fund)	277,593	-	-	277,593	-	-	-	-	-
Paper and Board									
Packages Limited	2,473	-	-	-	2,473	1,573	1,720	147	0.02
Total						19,006	35,000	15,994	

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

	Note	2017 (Rupees in '000)	2016
Shares of listed companies (ordinary shares) - held for trading	5.1.1.1	432,151	333,285
Sukuk certificates - held for trading	5.1.1.4	5,493	1,892
Shares of listed companies (ordinary shares) - fair value through profit or loss upon initial recognition	5.1.2.1	15,994	(12,618)
Sukuk certificates - fair value through profit or loss upon initial recognition	5.1.2.2	18,452	13,575
		472,090	336,134



5.1.2.2 Sukuk certificates - fair value through profit or loss upon initial recognition

Name of the investee company	Maturity	Profit rate	As at July 01, 2016	Purchases during the year	Sale/Redemptions / Matured during the year	As at June 30, 2017	Carrying value as at June 30, 2017*	Market value as at June 30, 2017*	Unrealised gain / (loss) as at June 30, 2017	Percentage of market value of investments
			----- (Number of certificates) -----			----- (Rupees in '000) -----			----- % -----	
Secured										
Engro Fertilizer Pakistan Limited - II (A+, PACRA, non-traded) (note 5.1.2.2.1)	July 9, 2019	6 months KIBOR plus base rate of 1.75%	12,580	-	492	12,088	56,375	56,213	(162)	0.75
K Electric Limited - (7 years) (note 5.1.2.2.1) (AA, JCR-VIS, non-traded)	June 17, 2022	6 months KIBOR plus base rate of 1%	87,253	-	-	87,253	441,971	456,538	14,567	6.08
Security Leasing * Corporation Limited II (note 5.1.2.2.1, 5.1.2.2.4 & 5.1.2.2.5)	January 19, 2022	Nil	1,540	-	-	1,540	-	-	-	-
Eden Housing Limited * (note 5.1.2.2.1, 5.1.2.2.2, 5.1.2.2.3 & 5.1.2.2.5)	September 29, 2014	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	-	-	-	-
Arzoo Textile Mills Limited * (note 5.1.2.2.1, 5.1.2.2.3 & 5.1.2.2.5)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	-	-	-	-
Hascol Petroleum Limited - Sukuk (note 5.1.2.2.1)	January 7, 2022	3 months KIBOR plus base rate of 1.50%	50,000	-	2,500	47,500	245,171	246,244	1,073	3.28
Fatima Fertilizer Company Limited - Sukuk (note 5.1.2.2.1)	November 28, 2021	6 months KIBOR plus base rate of 1.10%	-	14,711	1,471	13,240	66,200	69,174	2,974	0.92
Total							809,717	828,169	18,452	
Total cost of investments								562,726		

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

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

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

5.1.2.2.3 On May 6, 2011, Eden Housing Limited and 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. 4.922 million and Rs. 25 million respectively has also been held as provision against the outstanding principal as at June 30, 2017.

5.1.2.2.4 The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributors to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore in accordance with the requirement of Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs. 7.701 million has also been held as provision against the outstanding principal as at June 30, 2017.

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

Name of the investee company	Type of investments	Value of investment before provision	Provision held as at June 30, 2017	Value of investment after provision	Percentage of net assets	Percentage of total assets
		----- (Rupees in '000) -----			----- % -----	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	25,000	25,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	4,922	4,922	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	7,701	7,701	-	-	-
		37,623	37,623	-		

Note **2017** **2016**
(Rupees in '000)

5.2 Investments - 'available for sale'

Shares of listed companies (Ordinary shares)

5.2.1 **248,333** **239,328**

5.2.1 Shares of listed companies (Ordinary shares)

Name of the investee company	As at July 01, 2016	Purchases during the year	Right issue	Sales during the year	As at June 30, 2017	Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised gain as at June 30, 2017	Percentage of market value of investments
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----
Sector / companies									
Automobile assemblers									
Indus Motor Company Limited	2,075	-	-	-	2,075	454	3,722	3,268	0.05
Commercial banks									
Meezan Bank Limited (an associate of the Fund)	1,207	-	-	906	301	4	24	20	0.00
BankIslami Pakistan Limited	875	-	-	-	875	5	11	6	0.00
									0.00
Fertilizers									
Fauji Fertilizer Company Limited	599	-	-	599	-	-	-	-	-
Chemicals									
ICI Pakistan Limited	21	-	-	-	21	3	23	20	0.00
Cement									
Attock Cement Pakistan Limited	287	-	-	-	287	11	87	76	0.00
D.G. Khan Cement Company Limited	249	-	-	-	249	10	53	43	0.00
Lucky Cement Limited	7,451	-	-	-	7,451	887	6,231	5,344	0.08
									0.08
Power Generation & Distribution									
The Hub Power Company Limited	1,134,050	-	-	-	1,134,050	41,921	133,171	91,250	1.77
Paper and Board									
Packages Limited	150,000	-	-	-	150,000	77,511	104,337	26,826	1.39
Oil & Gas Exploration Companies									
Pakistan Petroleum Limited	4,548	-	-	-	4,548	558	674	116	0.01
Total						121,364	248,333	126,969	
Total cost of investments							121,364		



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

	Note	2017 (Rupees in '000)	2016
Market value of investments		248,333	239,328
Less: Cost of investments		121,364	121,425
		126,969	117,903
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year		117,903	114,598
		9,066	3,305
5.3 Investment- loans and receivables			
Term deposit receipts			
- having original maturity of more than 3 months	5.3.1	750,000	-
Sukuk Certificates	5.3.2	-	425,000
		750,000	425,000

5.3.1 Term deposit receipts - having original maturity of more than 3 months

Name of the bank	Maturity	Profit rate	As at July 01, 2016	Deposit made during the year	Matured during the year	As at June 30, 2017	Percentage of market value of total investments
BankIslami Pakistan Limited	December 01, 2017	5.90	-	500,000	-	500,000	6.66
Dubai Islamic Bank Limited	February 01, 2018	5.70	-	250,000	-	250,000	3.33
Total			-	750,000	-	750,000	

5.3.2 Sukuk Certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2016	Matured during the year	As at June 30, 2017	Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised gain as at June 30, 2017	Percentage of market value of total investments
Lalpir Power Limited - CP Sukuk (note 5.3.2.1)	November 4, 2016	6 months KIBOR plus base rate of 0.25%	25,000	25,000	-	-	-	-	-
Engro Fertilizers Limited - CP Sukuk (note 5.3.2.1)	November 25, 2016	6 months KIBOR plus base rate of 0.40%	60,000	60,000	-	-	-	-	-
Total									

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

6. DEPOSITS AND OTHER RECEIVABLES

	Note	2017 (Rupees in '000)	2016
Security deposits		2,800	2,800
Profit receivable on saving accounts and Term Deposit Receipts with banks		52,782	11,301
Profit receivable on sukuk certificates		18,758	14,203
Advance tax		14	-
		74,354	28,304

	Note	2017 (Rupees in '000)	2016
7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company			
Management fee	7.1	15,932	7,719
Sindh Sales Tax on management fee	7.2	2,071	1,081
Sales load payable		9,338	1,006
Sindh Sales Tax on sales load	7.2	1,214	141
Allocated expenses payable	7.3	797	386
		29,352	10,333

7.1 As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 2 percent of average annual net assets in case of Balanced Scheme. The remuneration of the Management Company has been charged at the rate of 2 percent per annum for the year ended June 30, 2017 and June 30, 2016.

7.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company, sales load and trustee fee through Sindh Sales Tax on Services Act 2011. In the current year, Sindh Sales Tax at the rate of 13 percent (June 30, 2016: 14 percent) was charged on the remuneration of Management Company, sales load and trustee fee (refer note 10.2 for Sindh Sales Tax applied on Federal Excise Duty).

7.3 A statutory notification 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 has been charged at the rate of 0.1% of average annual net assets of the Scheme.

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

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

The remuneration of the Trustee for the year ended June 30, 2017 has been calculated as per the following applicable tariff:

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

8.1 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 01 July 2015. As a result of these amendments, the Fund recognised sales tax on trustee fee at the rate of 13 percent (June 30, 2016: 14 percent).



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

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

During the year, fees charged at the rate of 0.085% (June 30, 2016: 0.085%). The fee is payable to the SECP within three months of the close of the financial year.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2017 (Rupees in '000)	2016
Withholding tax payable		73,371	21,329
Provision for Sindh Workers' Welfare Fund (SWWF)	12	38,656	-
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	10.2	30,789	30,789
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	10.2	6,838	6,838
Brokerage expenses payable		2,143	1,246
Charity payable	10.1	1,961	3,114
Shariah advisory fee		378	269
Auditors' remuneration		371	371
Provision for Workers' Welfare Fund (WWF)	12	-	37,909
Others		393	390
		154,900	102,255

10.1 According to the instructions of the Shariah advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 1.961 million (June 30, 2016: Rs. 3.114 million) is outstanding in this regard after making charity payments of Rs. 3.212 million (June 30, 2016: Rs. 1.4 million) to renowned charitable institutions. None of the directors of the Management Company of the Fund were interested in any of donees.

10.2 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 September 04, 2013.

The SHC while disposing the Constitutional Petition No. D-3184 of 2014 relating to levy of FED on Mutual Funds has declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011, (i.e., the date on which Sindh Sales Tax on Services Act, 2011 came into force). However, the tax authorities subsequently filed appeal against the decision of SHC in the Supreme Court of Pakistan, which is pending for the decision.

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

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained a provision on FED and related Sindh Sales Tax on management fee and sales load with effect from June 13, 2013, till June 30, 2016, aggregating to Rs. 37.627 million (June 30, 2016: Rs. 37.627 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Re. 0.07 (June 30, 2016: Re. 0.13) per unit.

11. CONTINGENCIES AND COMMITMENTS

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

In this regard, a Constitutional Petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. On September 8, 2015, the Sindh High Court has dismissed the suit on the basis that bonus shares are included in the definition of income and accordingly are chargeable to tax. An appeal against the judgment has been instituted and a stay order has been granted by the High Court of Sindh in favour of CISs.

In the current year, Al Shaheer Corporation Limited, The Searle Company Limited and Highnoon Laboratories Limited (2016: Hascol Petroleum Limited, The Searle Company Limited and Al Shaheer Corporation Limited) issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These haven't been deposited by the Company with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

There were no other contingencies and commitments outstanding as at June 30, 2017 and June 30, 2016.

12. SINDH WORKERS' WELFARE FUND AND WORKERS' WELFARE FUND

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016, passed in the Civil Appeal may kindly be reviewed in the interest of justice. After deliberating the position, The Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective from January 12, 2017. The provision reversed on January 12, 2017, amounted to Rs. 37.909 million. This has resulted in an increase in NAV per unit of Re. 0.10 on January 12, 2017.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles, hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.



MUFAP has also taken a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP as an abundant caution, has decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The provision made for SWWF on January 12, 2017, amounted to Rs. 34.80 million. This has resulted in a decrease in NAV per unit of Re. 0.09 on January 12, 2017.

On January 12, 2017, the decisions of MUFAP were communicated to Securities and Exchange Commission of Pakistan (SECP). SECP vide their letter no. SCD/AMCW/MUFAP/2017 – 405 dated February 1, 2017, suggested that the matters can be addressed through appropriate disclosure in the financial statements for the information of investors, as the impact of the same is not significant.

The Management Company has recognised SWWF charge for the period from May 21, 2015 to June 30, 2017, amounting to Rs. 38.656 million (June 30, 2016: nil). Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.07 (June 30, 2016: nil).

13. AUDITORS' REMUNERATION

	Note	2017 (Rupees in '000)	2016
Statutory audit fee		250	250
Half yearly review fee		110	110
Other certifications		120	120
Out of pocket expenses		41	38
		521	518

14. NUMBER OF UNITS IN ISSUE

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

	2017 (Number of units)	2016
Total units in issue at the beginning of the year	297,201,395	230,697,369
Units issued during the year	498,655,554	197,244,417
Units redeemed during the year	(234,576,828)	(130,740,391)
Total units in issue at the end of the year	561,280,121	297,201,395

15. SEGMENT REPORTING

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

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

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

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

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

	For the year ended June 30, 2017		
	Equity sub -portfolio	Debt sub -portfolio	Total
	(Rupees in '000)		
Profit on sukuk certificates	-	88,054	88,054
Profit on term deposit receipts	-	22,990	22,990
Dividend income	159,463	-	159,463
Net realised gain on sale of investments	101,938	2,750	104,688
Brokerage expense	(4,161)	(55)	(4,216)
Charity expense	(2,005)	-	(2,005)
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' and 'available for sale'	457,211	23,945	481,156
Total net segment income	712,446	137,684	850,130

	As at June 30, 2017		
	Equity sub -portfolio	Debt sub -portfolio	Total
	(Rupees in '000)		
Total segment assets:			
Investments	5,342,859	2,161,316	7,504,175
Receivables against investments (net)	1,851	-	1,851
Dividend receivable	19,039	-	19,039
Profit receivable on sukuk certificates	-	18,758	18,758
	5,363,749	2,180,074	7,543,823
Total segment liabilities include:			
Charity payable	1,961	-	1,961
Brokerage payable	2,143	-	2,143
Others	81	-	81
	4,185	-	4,185

	For the year ended June 30, 2016		
	Equity sub -portfolio	Debt sub -portfolio	Total
	(Rupees in '000)		
Profit on sukuk certificates	-	68,038	68,038
Profit on term deposit receipts	-	9,637	9,637
Dividend income	130,785	-	130,785
Net realised gain on sale of investments	41,726	1,803	43,529
Brokerage expense	(3,082)	(16)	(3,098)
Charity expense	(1,300)	-	(1,300)
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' and 'available for sale'	323,972	15,467	339,439
Total net segment income	492,101	94,929	587,030

	As at June 30, 2016		
	Equity sub -portfolio	Debt sub -portfolio	Total
	(Rupees in '000)		
Total segment assets:			
Investments	2,761,620	1,310,912	4,072,532
Receivables against investments (net)	4,020	-	4,020
Dividend receivable	7,571	-	7,571
Profit receivable on sukuk certificates	-	14,203	14,203
	2,773,211	1,325,115	4,098,326
Total segment liabilities include:			
Charity payable	-	-	-
Brokerage payable	1,246	-	1,246
Others	70	-	70
	1,316	-	1,316



- 15.1** There were no transactions between reportable segments.
- 15.2** The Fund's administration and management fees are not considered to be segment expenses.
- 15.3** A reconciliation of total net segmental income to total income is provided as follows:

	2017	2016
	(Rupees in '000)	
Total net segment income	850,130	587,030
Profit on saving accounts with banks	88,454	50,012
Other income	532,196	12,935
Other expenses	(229,755)	(131,968)
Total comprehensive income for the year	1,241,025	518,009

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

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

	Note	2017	2016
		(Rupees in '000)	
Segment assets for reportable segments		7,543,823	4,098,326
Balances with banks	4	1,842,313	660,332
Receivables on issuance and conversion of units		444,069	84,926
Deposits and other receivables	6	55,596	14,101
Total assets		9,885,801	4,857,685

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

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

	Note	2017	2016
		(Rupees in '000)	
Segment liabilities for reportable segments		4,185	4,430
Accrued expenses	10	150,715	97,825
Others		214,796	47,743
Total liabilities		369,696	149,998

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AI Meezan Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, directors and executives of the Management Company, Meezan Islamic Fund, AI Meezan Mutual Fund, KSE Meezan Index Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Financial Planning Fund of Funds, Meezan Capital Preservation Fund -II, Meezan Gold Fund, Meezan Asset Allocation Fund, Meezan Strategic Allocation Fund, Meezan

Energy 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% or more units of the Fund's net assets.

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

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

Details of transactions with connected persons and balances with them for the year ended June 30, 2017 and as of that date along with the comparative are as follows:

	2017	2016
	(Rupees in '000)	
Al Meezan Investment Management Limited (Al Meezan) - Management Company		
Remuneration payable	15,932	7,719
Sales load payable	9,338	1,006
Allocated expenses payable	797	386
Sindh Sales Tax on management fee	2,071	1,081
Sindh Sales Tax on sales load	1,214	141
Investment of 900,638 units (June 30, 2016: 853,671 units)	15,266	13,522
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Remuneration payable	879	468
Sindh Sales Tax on Trustee Fee payable	114	66
Deposits	300	300
Meezan Bank Limited (MBL)		
Bank balance	152,451	65,144
Sales load payable	2,699	1,165
Sindh Sales Tax on sales load	351	151
Investment in 301 shares (June 30, 2016: 533,800 shares)	24	22,686
Investment of 18,886,746 units (June 30, 2016: 18,886,746 units)	320,130	299,166
Al Meezan Investment Management Limited - Employees Gratuity Fund		
Investment of 445,734 units (June 30, 2016: 415,271 units)	7,555	6,578
Directors and Executives of the Management Company		
Investment of 6,637,501 units (June 30, 2016: 2,387,815 units)	112,506	37,823



**For the year ended
June 30,**

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

Remuneration for the year
Sindh Sales Tax and Federal Excise Duty on management fee
Units issued: 46,967 (2016: 23,581 units)
Dividend paid

Central Depository Company of Pakistan Limited (CDC) - Trustee

Remuneration for the year
Sindh Sales Tax on trustee fee
CDS charges

Meezan Bank Limited (MBL)

Profit on saving account
Profit on term deposit receipts
Cash dividend paid during the year
Cash dividend income during the year
Sale of 538,499 shares (2016: 818,500 shares)
Purchase of 5,000 shares (2016: nil shares)

Pakistan Kuwait Investment Company (Private) Limited

Units redeemed: nil (2016: 11,057,791 units)

AI Meezan Investment Management Limited - Employees Gratuity Fund

Units issued: 30,463 (2016: 15,156 units)
Dividend paid

Directors and Executives of the Management Company

Units issued: 4,857,271 (2016: 352,594 units)
Units redeemed: 607,585 (2016: 287,309 units)
Dividend paid

	2017	2016
	(Rupees in '000)	
	146,130	88,593
	18,997	28,586
	800	498
	1,067	498
	8,306	5,434
	1,080	761
	153	131
	1,116	1,117
	-	9,637
	23,608	11,332
	935	3,463
	31,265	38,122
	258	-
	-	177,588
	519	240
	519	240
	83,054	5,449
	11,100	4,332
	7,803	1,395

17. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

17.1 Market risk

17.1.1 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market.

The value of investments may fluctuate due to change in business cycles affecting the business of the Fund in which the investment is made, change in business circumstances of the Fund, industry environment and / or the economy in general.

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

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

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 5 to these financial statements. As at June 30, 2017, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI) 30 index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

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

The net assets of the Fund will increase / decrease by approximately Rs. 53.43 million (June 30, 2016: Rs. 27.62 million) if the prices of equity instrument vary due to increase / decrease in KMI 30 index by 1 percent with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2017 and the historical correlation of the securities comprising the portfolio to the KMI. The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

17.1.2 Interest rate risk

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

Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in saving accounts and investment in debt securities. At June 30, 2017, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs. 39.87 million (June 30, 2016: approximately Rs. 19.634 million) mainly as a result of finance income.

Fair value interest rate risk

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

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



June 30, 2017

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	2.00% to 5.70%	1,825,753	-	-	16,560	1,842,313
Investments - 'at fair value through profit or loss'	Weighted Average 6 months T-Bills & KIBOR +1% to KIBOR +1.5%	-	-	1,411,316	5,094,526	6,505,842
Investments - 'available for sale'		-	-	-	248,333	248,333
Investments - 'loans and receivables'	5.70% to 5.90%	-	750,000	-	-	750,000
Receivable on issuance and conversion of units		-	-	-	444,069	444,069
Dividend receivable		-	-	-	19,039	19,039
Receivable against investments (net)		-	-	-	1,851	1,851
Deposits and other receivables		-	-	-	74,340	74,340
		1,825,753	750,000	1,411,316	5,898,718	9,885,787
Financial liabilities						
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	-	29,352	29,352
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	993	993
Payable to Meezan Bank Limited		-	-	-	3,050	3,050
Payable on redemption and conversion of units		-	-	-	87,821	87,821
Accrued expenses and other liabilities		-	-	-	42,873	42,873
Dividend payable		-	-	-	87,370	87,370
		-	-	-	251,459	251,459
On-balance sheet gap		1,825,753	750,000	1,411,316	5,647,259	9,634,328
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		1,825,753	750,000	1,411,316		
Cumulative interest rate sensitivity gap		1,825,753	2,575,753	3,987,069		

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						
Balances with banks	2.50% to 6.10%	652,459	-	-	7,873	660,332
Investments - 'at fair value through profit or loss'	Weighted Average 6 months T-Bills & KIBOR + 1% to KIBOR +1.75%	-	-	885,912	2,522,292	3,408,204
Investments - 'available for sale'		-	-	-	239,328	239,328
Investments - 'loans and receivables'	KIBOR +0.25% to KIBOR +0.40%	-	425,000	-	-	425,000
Receivable on issuance and conversion of units		-	-	-	84,926	84,926
Dividend receivable		-	-	-	7,571	7,571
Receivable against investments (net)		-	-	-	4,020	4,020
Deposits and other receivables		-	-	-	28,304	28,304
		652,459	425,000	885,912	2,894,314	4,857,685
Financial liabilities						
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	-	10,333	10,333
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	534	534
Payable to Meezan Bank Limited		-	-	-	1,316	1,316
Payable on redemption and conversion of units		-	-	-	11,793	11,793
Accrued expenses and other liabilities		-	-	-	43,017	43,017
Dividend payable		-	-	-	19,999	19,999
		-	-	-	86,992	86,992
On-balance sheet gap		652,459	425,000	885,912	2,807,322	4,770,693
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		652,459	425,000	885,912		
Cumulative interest rate sensitivity gap		652,459	1,077,459	1,963,371		

17.1.3 Currency risk

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

17.2 Credit risk

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

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

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

Rating agency		2017		2016	
		(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)
Government guaranteed		583,147	26.98	120,892	9.22
AA+	PACRA/ JCR-VIS	456,538	21.13	441,772	33.70
AA	PACRA/ JCR-VIS	-	-	125,000	9.54
AA-	PACRA/ JCR-VIS	371,631	17.19	623,248	47.54
A+	PACRA/ JCR-VIS	750,000	34.70	-	-
		2,161,316	100.00	1,310,912	100.00

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

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

Rating agency		2017		2016	
		(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)
A+	PACRA/ JCR-VIS	1,790,644	97.20	112,390	17.02
AA+	PACRA/ JCR-VIS	49,687	2.70	54,481	8.25
AA-	PACRA/ JCR-VIS	1,734	0.09	-	-
A	PACRA/ JCR-VIS	145	0.01	432,253	65.47
AAA	PACRA/ JCR-VIS	83	-	1,217	0.18
AA	PACRA/ JCR-VIS	20	-	59,991	9.08
		1,842,313	100.00	660,332	100.00

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



The maximum exposure to credit risk as at June 30, 2017 along with comparative is tabulated below:

Financial assets exposed to credit risk

	2017	2016
	(Rupees in '000)	
Balances with banks	1,842,313	660,332
Investments	1,578,169	1,190,020
Receivable on issuance and conversion of units	444,069	84,926
Dividend receivable	19,039	7,571
Receivable against investments (net)	1,851	4,020
Deposits and other receivables	74,340	28,304
	3,959,781	1,975,173

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

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the Fund does not expect non-performance by these counter parties on their obligations to the Fund except for Arzoo Textiles Limited sukuk, Eden Housing Limited sukuk and Security Leasing Corporation Limited II sukuk which have been fully written off as disclosed in note 5.1.2.2 & 5.1.2.2.5.

17.3 Liquidity risk

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

In accordance with regulation 58(1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs. 1,427.42 million as on June 30, 2017 (June 30, 2016: Rs. 706.15 million). However, no such borrowing has been obtained during the year.

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

In addition to unitholders fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2017 along with comparative is tabulated below:

	2017				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	29,352	-	-	-	29,352
Payable to Central Depository Company of Company of Pakistan Limited (CDC) - Trustee	993	-	-	-	993
Payable to Meezan Bank Limited	3,050	-	-	-	3,050
Payable on redemption and conversion of units	87,821	-	-	-	87,821
Accrued expenses and other liabilities	42,873	-	-	-	42,873
Dividend payable	87,370	-	-	-	87,370
	251,459	-	-	-	251,459

	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	10,333	-	-	-	10,333
Payable to Central Depository Company of Company of Pakistan Limited (CDC) - Trustee	534	-	-	-	534
Payable to Meezan Bank Limited	1,316	-	-	-	1,316
Payable on redemption and conversion of units	11,793	-	-	-	11,793
Accrued expenses and other liabilities	43,017	-	-	-	43,017
Dividend payable	19,999	-	-	-	19,999
	<u>86,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,992</u>

18. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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 meets the requirement of sub-regulation 54(3a) of the 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 as disclosed in these financial statements, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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



- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

The following table presents the assets that are measured at fair value as at June 30, 2017:

Note	Carrying amount				Total	Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables		Level 1	Level 2	Level 3	Total
June 30, 2017									
Financial assets									
- measured at fair value									
Investments									
- 'at fair value through profit or loss'	6,505,842	-	-	-	6,505,842	5,094,526	1,411,316	-	6,505,842
Investments - 'available for sale'	248,333	-	-	-	248,333	248,333	-	-	248,333
Financial assets									
- not measured at fair value									
Investments - 'loans and receivables'									
19.1	750,000	-	-	-	750,000				
Balances with banks									
19.1	-	-	1,842,313	-	1,842,313				
Receivables on issuance and conversion of units									
19.1	-	444,069	-	-	444,069				
Dividend receivable									
19.1	-	19,039	-	-	19,039				
Receivables against investments (net)									
19.1	-	1,851	-	-	1,851				
Deposits and other receivables									
19.1	-	74,340	-	-	74,340				
	7,504,175	539,299	1,842,313	-	9,885,787				
Financial liabilities									
- not measured at fair value									
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company									
19.1	-	-	-	29,352	29,352				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee									
19.1	-	-	-	993	993				
Payable to Meezan Bank Limited									
19.1	-	-	-	3,050	3,050				
Payable on redemption and conversion of units									
19.1	-	-	-	87,821	87,821				
Accrued expenses and other liabilities									
19.1	-	-	-	42,873	42,873				
Dividend payable									
19.1	-	-	-	87,370	87,370				
	-	-	-	251,459	251,459				

Note	Carrying amount				Total	Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables		Level 1	Level 2	Level 3	Total
June 30, 2016									
Financial assets									
- measured at fair value									
Investments									
- 'at fair value through profit or loss'	3,408,204	-	-	-	3,408,204	2,522,292	885,912	-	3,408,204
Investments - 'available for sale'	239,328	-	-	-	239,328	239,328	-	-	239,328
Financial assets									
- not measured at fair value									
Investments - 'loans and receivables'									
19.1	425,000	-	-	-	425,000				
Balances with banks									
19.1	-	-	660,332	-	660,332				
Receivables on issuance and conversion of units									
19.1	-	84,926	-	-	84,926				
Dividend receivable									
19.1	-	7,571	-	-	7,571				
Receivables against investments (net)									
19.1	-	4,020	-	-	4,020				
Deposits and other receivables									
19.1	-	28,304	-	-	28,304				
	4,072,532	124,821	660,332	-	4,857,685				
Financial liabilities									
- not measured at fair value									
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company									
19.1	-	-	-	10,333	10,333				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee									
19.1	-	-	-	534	534				
Payable Meezan Bank Limited									
19.1	-	-	-	1,316	1,316				
Payable on redemption and conversion of units									
19.1	-	-	-	11,793	11,793				
Accrued expenses and other liabilities									
19.1	-	-	-	43,017	43,017				
Dividend payable									
19.1	-	-	-	19,999	19,999				
	-	-	-	86,992	86,992				

- 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, 2017 as reduced by capital gains (whether realised or unrealised) to its unitholders.

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

21. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein				
		August 31, 2016	October 06, 2016	February 8, 2017	April 13, 2017	June 14, 2017
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes
Mr. Atif Azim	Director	Yes	Yes	Yes	Yes	Yes
Mr. Tasnimul Haq Farooqui*	Director	No	Yes	Yes	Yes	Resigned
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	Yes	No	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Yes	Yes	No	Yes	Yes
Mr. Ijaz Farooq*	Director	-	-	-	-	Yes

* Mr. Tasnimul Haq resigned and in his place Mr. Ijaz Farooq was approved as a Director on the Board of Al Meezan Investment Management Limited for the remaining term. SECP vide their letter no. SCD/AMCW/AMIML/09/2017, dated July 13, 2017, issued No. Objection on this appointment.

22. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name

	2017
	%
1 Elixir Securities (Private) Limited	12.04
2 Optimus Capital Management (Private) Limited	9.57
3 Next Capital Securities Limited	8.01
4 Arif Habib Securities Limited	7.90
5 JS Global Capital Limited	7.35
6 Taurus Securities Limited	7.26
7 BMA Capital Management Limited	6.88
8 Topline Securities Limited	5.10
9 Aba Ali Habib Securities (Private) Limited	5.09
10 Al Falah Securities (Private) Limited	4.99



Broker's Name	2016 %
1 Foundation Securities (Private) Limited	11.58
2 Arif Habib Securities Limited	11.15
3 Taurus Securities Limited	8.16
4 Topline Securities Limited	7.96
5 Global Securities Limited	7.06
6 Optimus Capital Management (Private) Limited	6.92
7 JS Global Capital Limited	6.88
8 BMA Capital Management Limited	5.64
9 Fortune Securities (Private) Limited	5.51
10 Shajar Capital Pakistan (Private) Limited	5.42

23. PERFORMANCE TABLE

	2017	2016	2015	2014	2013
Net assets (ex-distribution) (Rupees in '000)	9,516,105	4,707,687	3,383,460	1,930,486	1,747,480
Net assets value per unit / certificate as at June 30 (ex-distribution) (Rupees)	16.95	15.84	14.67	13.35	14.56
Distribution					
- Final	-	-	-	15.00%	19.00%
- Interim	12.50%	6.00%	8.00%	22.50%	-
Dates of distribution	June 23, 2017	June 24, 2016	June 26, 2015	May 30, 2014	July 8, 2013
Distribution - income distribution (Rupees in '000')	643,935	171,188	158,790	180,000	228,000
Distribution - growth distribution (Rupees in '000')	-	-	-	279,974	-
Highest NAV per unit / certificate (Rupees)	19.59	16.57	15.64	15.69	15.01
Lowest NAV per unit / certificate (Rupees)	15.92	14.25	12.96	12.95	12.06
Total return (%)	15.00	12.00	16.00	20.00	31.84
Earnings per certificate (Rupees)	-	-	-	-	2.69
	One year	Two years	Three years	Four years	Five Years
Average annual return as at June 30, 2017 (%)	15.00	13.42	14.23	15.51	17.94

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

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

24. EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended June 30, 2017 is 3.24% which include 0.89% representing government levy, Worker Welfare Fund and SECP fee.

25. INVESTMENT COMMITTEE MEMBERS

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

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

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

- KSE Meezan Index Fund
- Meezan Tahaffuz Pension Fund

26. PATTERN OF UNIT HOLDING

	June 30, 2017		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	4950	4,977,219	52.30%
Associated companies / directors	5	448,032	4.71%
Insurance companies	3	34,335	0.36%
Banks / DFIs	1	23	0.00%
NBFCs	1	406	0.01%
Retirement funds	93	1,894,489	19.91%
Public limited companies	8	208,667	2.19%
Others	70	1,952,934	20.52%
Total	5,131	9,516,105	100.00%

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



27. GENERAL

27.1 Reclassification of comparatives

The Fund reclassified provision for Federal Excise Duty and related Sindh Sales Tax on management fee and sales load, included in "Payable to AI Meezan Investment Management Limited" to "Accrued expenses and other liabilities". This has also been made in the prior year's statement of assets and liabilities for better presentation and disclosure. Details are as follows:

	June 30, 2016		
	As previously reported	Impact	As stated
(Rupees in '000)			
Effects on statement of assets and liabilities			
<i>Liabilities</i>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	49,265	(38,932)	10,333
Accrued expenses and other liabilities	64,639	37,616	102,255
Payable to Meezan Bank Limited (MBL)	-	1,316	1,316


There are no effects in the Income Statement and Statement of Comprehensive Income and Cash Flow Statement for the aforementioned reclassification.

27.2 The Securities and Exchange Commission of Pakistan (SECP), vide their S.R.O. 756(I)/2017, dated August 03, 2017, changed the definition of accounting income in regulation (63) sub-regulation (I), which now states that accounting income excludes element of income (as defined in the S.R.O.), at the close of the financial year or in case of interim distribution, any interim date at which the financial statements of the fund are drawn up. Moreover, the S.R.O. also deleted 'Distribution Statement' and its contents, along with certain additional break-ups and disclosures, to be included on the face of 'Income Statement' and 'Statement of Movements in Reserves or Unit holders' fund'.

The aforementioned changes will be applied from July 01, 2017, and will affect the charge for Sindh Workers' Welfare Fund (SWWF) and consequently, the Net Asset Value per unit of the fund.

27.3 These financial statements were authorised for issue on August 24, 2017 by the Board of Directors of the Management Company.

**For AI 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, 2017

UNITS HELD BY	UNITS HELD	%
Associated companies		
-Meezan Bank Limited	18,886,746	3.36
-Al-Meezan Investment Management Ltd	900,638	0.16
- Al-Meezan Investment Management Ltd Employees Gratuity Fund	445,734	0.08
Directors		
-Mr. Ariful Islam	6,192,468	1.10
-Syed Amir Ali	247	0.00
Executives	444,786	0.08
Bank & Financial Institution	107,589	0.02
Individuals	293,122,345	52.22
Retirement funds	104,134,203	18.55
Other corporate sector entities	80,292,685	14.31
Non-Profit Organization	56,752,680	10.11
Total	561,280,121	100



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(AM1 rating by JCR-VIS)

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