

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

# CONTENT

Who we are	06
Core Values	10
The Financial Year at Al Meezan FY 2017	14
Report of the Directors of the Management Company of the Funds - English	22

Vision Mission	08
Pride of the Year FY 2017	12
Board of Directors	16
Report of the Directors of the Management Company of the Funds - Urdu	32



## Meezan Islamic Fund

Fund Information	48
Report of the Fund Manager	49
Report of the Shari'ah Advisor	52
Trustee Report to the Unitholders	54
Statement of Compliance with the Code of Corporate Governance	55
Review Report to the Unitholders' on Statement of Compliance with Best Practices of Code of Corporate Governance	57
Independent Auditors' Report to the Unitholders	58
Statement of Assets and Liabilities	60
Income Statement and Statement of Comprehensive Income	61
Distribution Statement	62
Statement of Movement in Unitholders' Fund	63
Cash Flow Statement	64
Notes to the Financial Statements	65
Pattern of Holdings (Units) as per the Requirement of Code of Corporate Governance	95



## Al Meezan Mutual Fund

Fund Information	98
Report of the Fund Manager	99
Report of the Shari'ah Advisor	102
Trustee Report to the Unitholders	104
Statement of Compliance with the Code of Corporate Governance	105
Review Report to the Unitholders' on Statement of Compliance with Best Practices of Code of Corporate Governance	107
Independent Auditors' Report to the Unitholders	108
Statement of Assets and Liabilities	110
Income Statement and Statement of Comprehensive Income	111
Distribution Statement	112
Statement of Movement in Unitholders' Fund	113
Cash Flow Statement	114
Notes to the Financial Statements	115
Pattern of Holdings (Units) as per the Requirement of Code of Corporate Governance	142

# CONTENT



## KSE-Meezan Index Fund

Fund Information	◀ 146
Report of the Fund Manager	◀ 147
Report of the Shari'ah Advisor	◀ 149
Trustee Report to the Unitholders	◀ 151
Statement of Compliance with the Code of Corporate Governance	◀ 152
Review Report to the Unitholders' on Statement of Compliance with Best Practices of Code of Corporate Governance	◀ 154
Independent Auditors' Report to the Unitholders	◀ 155
Statement of Assets and Liabilities	◀ 157
Income Statement and Statement of Comprehensive Income	◀ 158
Distribution Statement	◀ 159
Statement of Movement in Unitholders' Fund	◀ 160
Cash Flow Statement	◀ 161
Notes to the Financial Statements	◀ 162
Pattern of Holdings (Units) as per the Requirement of Code of Corporate Governance	◀ 187



## Meezan Energy Fund

190 ▶	Fund Information
191 ▶	Report of the Fund Manager
193 ▶	Report of the Shari'ah Advisor
195 ▶	Trustee Report to the Unitholders
196 ▶	Statement of Compliance with the Code of Corporate Governance
198 ▶	Review Report to the Unitholders' on Statement of Compliance with Best Practices of Code of Corporate Governance
199 ▶	Independent Auditors' Report to the Unitholders
201 ▶	Statement of Assets and Liabilities
202 ▶	Income Statement and Statement of Comprehensive Income
203 ▶	Distribution Statement
204 ▶	Statement of Movement in Unitholders' Fund
205 ▶	Cash Flow Statement
206 ▶	Notes to the Financial Statements
227 ▶	Pattern of Holdings (Units) as per the Requirement of Code of Corporate Governance

# CONTENT



**Meezan**  
Balanced Fund

Fund Information	230
Report of the Fund Manager	231
Report of the Shari'ah Advisor	234
Trustee Report to the Unitholders	236
Statement of Compliance with the Code of Corporate Governance	237
Review Report to the Unitholders' on Statement of Compliance with Best Practices of Code of Corporate Governance	239
Independent Auditors' Report to the Unitholders	240
Statement of Assets and Liabilities	242
Income Statement and Statement of Comprehensive Income	243
Distribution Statement	244
Statement of Movement in Unitholders' Fund	245
Cash Flow Statement	246
Notes to the Financial Statements	247
Pattern of Holdings (Units) as per the Requirement of Code of Corporate Governance	280



**Meezan**  
Asset Allocation Fund

284	Fund Information
285	Report of the Fund Manager
287	Report of the Shari'ah Advisor
289	Trustee Report to the Unitholders
290	Statement of Compliance with the Code of Corporate Governance
292	Review Report to the Unitholders' on Statement of Compliance with Best Practices of Code of Corporate Governance
293	Independent Auditors' Report to the Unitholders
295	Statement of Assets and Liabilities
296	Income Statement and Statement of Comprehensive Income
297	Distribution Statement
298	Statement of Movement in Unitholders' Fund
299	Cash Flow Statement
300	Notes to the Financial Statements
326	Pattern of Holdings (Units) as per the Requirement of Code of Corporate Governance

# CONTENT



## Meezan Gold Fund

- 330 ▶ Fund Information
- 331 ▶ Report of the Fund Manager
- 333 ▶ Report of the Shari'ah Advisor
- 334 ▶ Trustee Report to the Unitholders
- 335 ▶ Statement of Compliance with the Code of Corporate Governance
- 337 ▶ Review Report to the Unitholders' on Statement of Compliance with Best Practices of Code of Corporate Governance
- 338 ▶ Independent Auditors' Report to the Unitholders
- 340 ▶ Statement of Assets and Liabilities
- 341 ▶ Income Statement and Statement of Comprehensive Income
- 342 ▶ Distribution Statement
- 343 ▶ Statement of Movement in Unitholders' Fund
- 344 ▶ Cash Flow Statement
- 345 ▶ Notes to the Financial Statements
- 365 ▶ Pattern of Holdings (Units) as per the Requirement of Code of Corporate Governance



**Meezan**  
Islamic Fund

## SHEIKH ZAYED MOSQUE – ABU DHABI, UAE.

The center of cultural diversity in the Islamic world.



## MEEZAN ISLAMIC FUND (MIF):

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



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. 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 SultanTrust Building No.2, Beaumont Road, Karachi - 75530.

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

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

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

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



## REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2017

### Type of Fund

Open end equity fund

### Objective

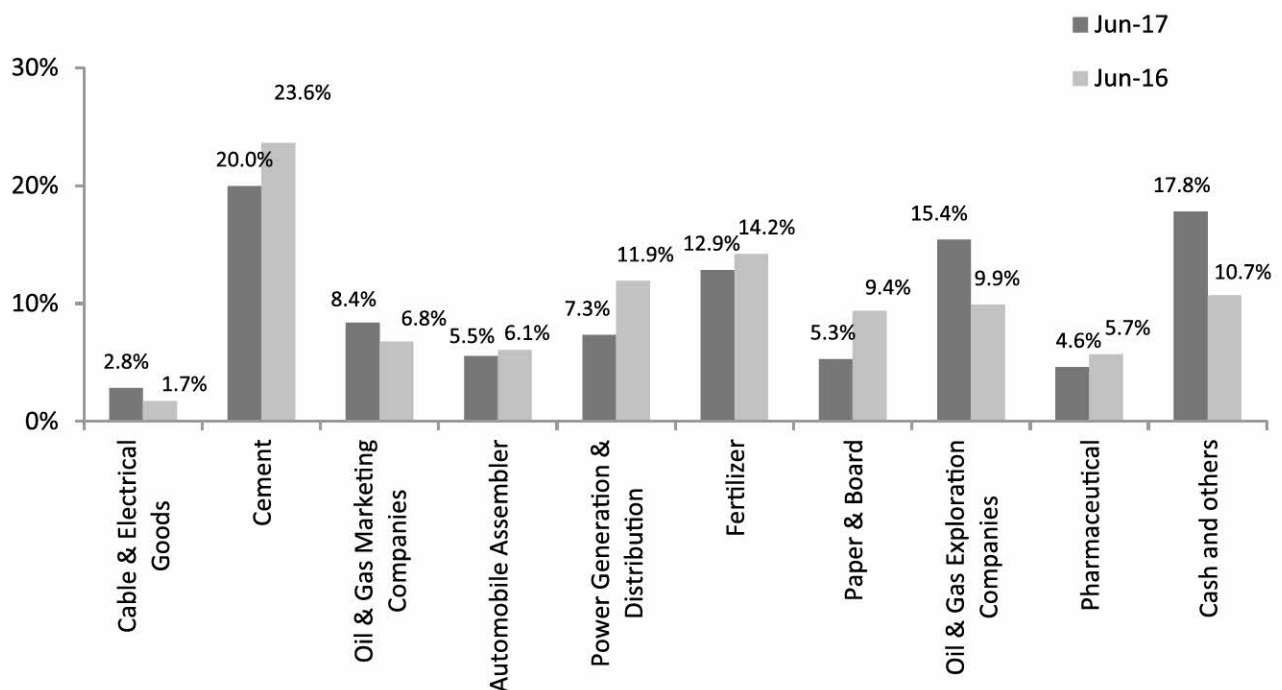
The objective of MIF is to provide optimum returns to the investors from investment in Shariah Compliant stocks for the given level of risk, while abiding by all applicable rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), dividend income and other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

### Strategy, Investment Policy and Asset Allocation

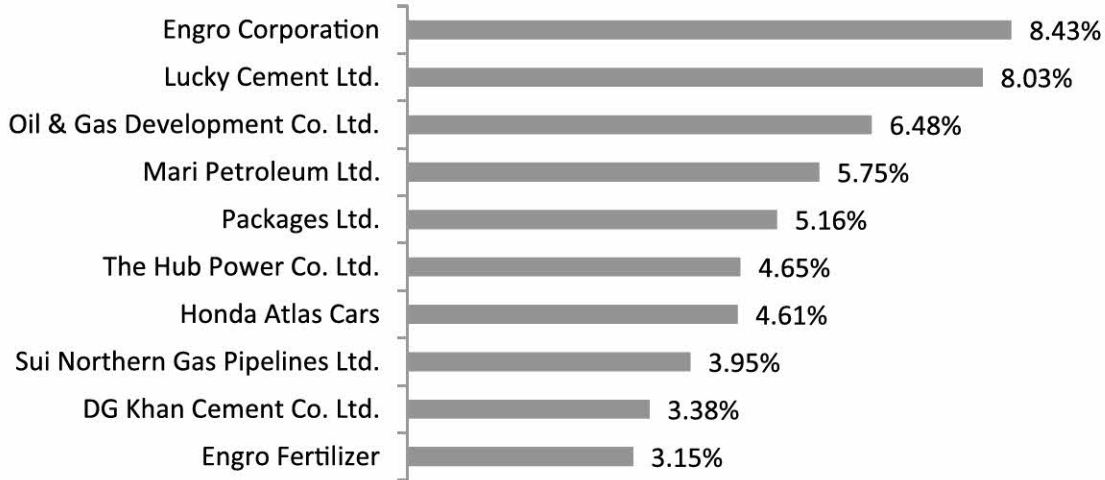
The performance of MIF is linked directly to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against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

During the year, the fund increased its equity exposure to as high as 99% in line with the market trend. However, it maintained an average exposure of 92% to equities during the year, while closing the year at 92%. The fund maintained heavy exposure to the Cement sector taking into consideration the profitability of this sector while it increased exposure in Oil and gas exploration and Marketing sectors. However, exposure in Fertilizer and Paper and Board sectors was reduced due to weak outlook.

### Sector Allocation for the year ended FY16 and FY17



## Top Holdings

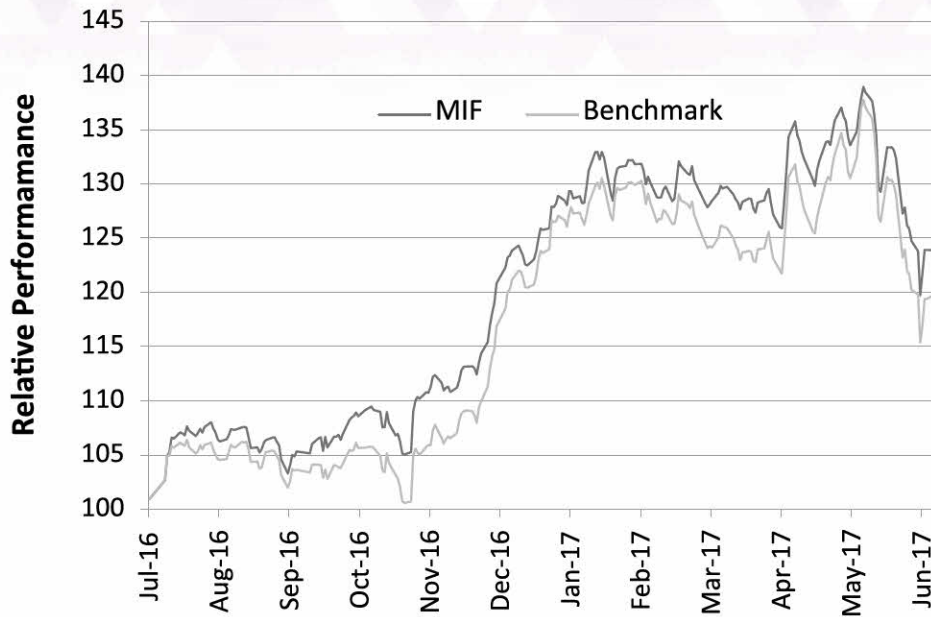


### Performance Review

During fiscal year 2017, Meezan Islamic Fund (MIF) provided a return of 22.96% to its investors while KSE Meezan Index (KMI 30) appreciated by 18.79% to close at 78,598 pts.

MIF posted a total income of Rs. 8,572 million in the fiscal year 2017 as compared to Rs. 5,329 million last year. Total income comprised of dividend income, realized and unrealized gain on investments of Rs. 1,613 million, Rs. 1,388 million and Rs. 5,173 million while profit on saving accounts with banks and income from reversal of WWF amounted to Rs. 209 million and Rs. 185 million respectively. After accounting for expenses of Rs. 1,646 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 3,049 million, the Fund posted a net profit of Rs. 9,975 million. The net assets of the Fund as at June 30, 2017 were Rs. 54,853 million as compared to Rs. 32,554 million at the end of year depicting a rise of 68.50%. The net asset value per unit as at June 30, 2017 was Rs. 76.41 as compared to Rs. 66.21 per unit as on June 30, 2016.

	MIF	KMI-30
Net Asset Value (NAV) as on June 30, 2016 - Rs.	61.21	66,163
Net Asset Value (NAV) as on June 30, 2017 - Rs.	76.41	78,598
Return During the Period ( <i>Dividend adjusted</i> )	<b>22.96%</b>	<b>18.79%</b>



### 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. 20.25 million was accrued as charity payable.

### Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2017 was Rs. 5.00 per unit (10%). Total distribution made by the fund was Rs. 3,316 million.

### Breakdown of unit holdings by size:

(As on June 30, 2017)

Range (Units)	No. of Investors
1 - 9,999	16,674
10,000 - 49,999	5,104
50,000 - 99,999	786
100,000 - 499,999	550
500,000 and above	111
<b>Total</b>	<b>23,225</b>



**Meezan Bank**  
The Premier Islamic Bank

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

- i. We have reviewed and approved the modes of investments of MIF in light of *Shari'ah* requirements. Following is the list of the top investments of MIF as on June 30, 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	23.5%	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 & Gas Exploration Companies	0.00%	25.07%	6.21%	39%	59.07	165.35
Mari Petroleum Ltd	Oil & Gas Exploration Companies	5.85%	0.00%	0.17%	37.5%	(52.49)	

Page 1 of 2

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



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Packages Ltd.	Paper & Board	16.42%	5.85%	0.13%	84%	(95.54)	
The Hub Power Co.	Power Generation & Distribution	29.47%	0.00%	0.18%	39%	(26.82)	
Honda Atlas Car	Automobile Assembler	0.03%	16.79%	0.94%	32%	(6.72)	
Sui Northern Gas Company	Oil & Gas Marketing Companies	20.70%	0.00%	1.39%	58%	(231.74)	

\* 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.

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

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

During the year a provision of Rupees 20.25 million was created and an amount of Rupees 22.35 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  
*Shariah* Advisor

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN ISLAMIC FUND**

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

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

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

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2017.

**Date: 24 August 2017**

**Karachi**

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



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

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## **Independent Auditors' Report to the Unitholders**

### *Report on the Financial Statements*

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



**Meezan**  
Islamic Fund

*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**  
**Amyr Malik**

# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
<b>Assets</b>			
Balances with banks	4	4,188,108	1,928,938
Investments	5	50,448,864	30,554,409
Receivable on issuance and conversion of units		1,530,182	1,309,796
Dividend receivable		252,501	48,558
Deposits, prepayments and other receivables	6	38,484	13,674
<b>Total assets</b>		<b>56,458,139</b>	<b>33,855,375</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	191,995	72,370
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	5,277	2,949
Payable to Meezan Bank Limited (MBL)		7,780	1,913
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	42,787	26,541
Payable on redemption and conversion of units		109,957	111,869
Dividend payable		345,340	-
Payable against investments (net)		64,953	529,926
Accrued expenses and other liabilities	10	837,341	555,401
<b>Total liabilities</b>		<b>1,605,430</b>	<b>1,300,969</b>
<b>Net assets</b>		<b>54,852,709</b>	<b>32,554,406</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund (as per statement attached)</b>		<b>54,852,709</b>	<b>32,554,406</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>	13	<b>717,906,382</b>	<b>491,662,544</b>
<b>(Rupees)</b>			
<b>Net assets value per unit</b>		<b>76.41</b>	<b>66.21</b>

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

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

  
Mohammad Shoaib, CFA

Chief Executive

  
Mazhar Sharif

Director



# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
<b>Income</b>			
Dividend income		1,613,259	1,311,427
Profit on saving accounts with banks		209,183	69,289
Net realised gain on sale of investments		1,388,319	595,659
Reversal of provision for Workers' Welfare Fund (WWF)	12	184,606	-
Other income		4,010	-
		<b>3,399,377</b>	1,976,375
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.1 & 5.1.5	5,172,820	3,398,433
Impairment loss on 'available for sale' investments		-	(46,273)
		<b>5,172,820</b>	3,352,160
<b>Total income</b>		<b>8,572,197</b>	5,328,535
<b>Expenses</b>			
Remuneration to AI Meezan Investment Management Limited (AI Meezan) - Management Company	7.1	900,774	558,765
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 10.2	117,101	180,145
Allocated expense	7.3	45,039	15,183
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	46,039	28,938
Sindh Sales Tax on trustee fee	8.1	5,985	4,052
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	42,787	26,541
Auditors' remuneration	14	715	699
Charity expense		20,254	16,219
Fees and subscription		5,337	1,669
Legal and professional charges		730	417
Brokerage expense		39,669	36,781
Bank and settlement charges		5,454	3,824
Provision for Sindh Workers' Welfare Fund (SWWF)	12	340,482	-
Selling and marketing expense	7.4	73,826	-
Printing expenses		1,789	2,091
<b>Total expenses</b>		<b>1,645,981</b>	875,324
<b>Net income from operating activities</b>		<b>6,926,216</b>	4,453,211
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		3,048,566	382,924
<b>Net income for the year before taxation</b>		<b>9,974,782</b>	4,836,135
Taxation	19	-	-
<b>Net income for the year after taxation</b>		<b>9,974,782</b>	4,836,135
<b>Other comprehensive income for the year</b>			
<b>Items that may be reclassified to income statements in subsequent periods</b>			
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' (net)	5.2.2	361,385	(10,559)
<b>Total comprehensive income for the year</b>		<b>10,336,167</b>	4,825,576

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

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Mazhar Sharif**  
Director

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
Undistributed income brought forward			
- Realised		4,499,430	2,421,038
- Unrealised		3,398,433	2,863,676
		<b>7,897,863</b>	5,284,714
Final distribution for the year ended June 30, 2016			
- cash dividend: nil (2015: Rs. 2.20 per unit)		-	(986,461)
Interim distribution for the period ended June 30, 2017			
- cash dividend @ 10% i.e. Rs. 5.00 per unit (2016: Rs. 2.95 per unit)		(3,316,003)	(1,291,006)
Total Distribution		<b>(3,316,003)</b>	(2,277,467)
Net income for the year		<b>9,974,782</b>	4,836,135
Element of income and capital gains included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)		<b>298,525</b>	54,481
Undistributed income carried forward		<b>14,855,167</b>	7,897,863
Undistributed income carried forward			
- Realised		<b>9,682,347</b>	4,499,430
- Unrealised	5.1.1 & 5.1.5	<b>5,172,820</b>	3,398,433
		<b>14,855,167</b>	7,897,863

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

For Al Meezan Investment Management Limited  
(Management Company)



Mohammad Shoaib, CFA  
Chief Executive



Mazhar Sharif  
Director



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

	2017 (Rupees in '000)	2016
Net assets at beginning of the year	<b>32,554,406</b>	27,402,717
Issue of 666,511,267 units (2016: 394,642,168 units)	<b>53,691,813</b>	24,722,523
Redemption of 440,267,429 units (2016: 351,371,112 units)	<b>(35,365,108)</b>	(21,736,019)
	<b>18,326,705</b>	2,986,504
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	<b>(3,048,566)</b>	(382,924)
Net realised gain on sale of investments	<b>1,388,319</b>	595,659
Unrealised appreciation on re-measurement of investments (net)	<b>5,534,205</b>	3,341,601
Net other income for the year	<b>3,413,643</b>	888,316
Total comprehensive income for the year	<b>10,336,167</b>	4,825,576
Final distribution for the year ended June 30, 2016 - cash dividend: nil (2015: Rs. 2.20 per unit)	-	(986,461)
Interim distribution for the period ended June 30, 2017 - cash dividend @ 10% i.e. Rs. 5.00 per unit (2016: Rs. 2.95 per unit)	<b>(3,316,003)</b>	(1,291,006)
Total Distribution	<b>(3,316,003)</b>	(2,277,467)
Net income for the year less distribution	<b>7,020,164</b>	2,548,109
Net assets at end of the year	<b>54,852,709</b>	32,554,406

(Rupees)

Net assets value per unit at beginning of the year	<b>66.21</b>	61.11
Net assets value per unit at end of the year	<b>76.41</b>	66.21

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Mazhar Sharif**  
Director




# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		9,974,782	4,836,135
<b>Adjustments for:</b>			
Unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1.1 & 5.1.5	(5,172,820)	(3,398,433)
Impairment loss on 'available for sale' investments		-	46,273
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(3,048,566)	(382,924)
		<b>(8,221,386)</b>	<b>(3,735,084)</b>
<b>(Increase) / decrease in assets</b>			
Investments (net)		(14,360,250)	(229,952)
Receivable against investments (net)		-	268,775
Dividend receivable		(203,943)	18,903
Deposits, prepayments and other receivables		(24,810)	12,582
		<b>(14,589,003)</b>	<b>70,308</b>
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		119,625	(132,667)
Payable to Central Depository Company of Pakistan Limited - Trustee		2,328	540
Payable to Meezan Bank Limited		5,867	804
Payable to Securities and Exchange Commission of Pakistan		16,246	5,504
Payable against investments (net)		(464,973)	529,926
Accrued expenses and other liabilities		281,940	344,120
		<b>(38,967)</b>	<b>748,227</b>
<b>Net cash (used in) / generated from operating activities</b>		<b>(12,874,574)</b>	<b>1,919,586</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		53,471,427	23,874,767
Dividend paid		(2,970,663)	(2,277,467)
Payments against redemption and conversion of units		(35,367,020)	(23,024,289)
<b>Net cash generated from / (used in) financing activities</b>		<b>15,133,744</b>	<b>(1,426,989)</b>
Net increase in cash and cash equivalents during the year		2,259,170	492,597
Cash and cash equivalents at beginning of the year		1,928,938	1,436,341
Cash and cash equivalents at end of the year	4	4,188,108	1,928,938

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

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



**Mohammad Shoaib, CFA**  
Chief Executive



**Mazhar Sharif**  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between AI Meezan Investment Management Limited (AI Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 16, 2003 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (NBFC Regulations, 2008). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund has been formed to enable the unitholders to participate in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as Equity Scheme in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP).
- 1.4** The Management Company of the Fund has been given a quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

### 2. BASIS OF PRESENTATION

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

#### 2.1 Statement of compliance

- 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 the basis of historical cost convention except that investments classified as 'at fair value through profit or loss' and 'available for sale' which are measured at 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 judgments**

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

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Impairment of financial instruments (note 3.1.6 and 5.2.2); and
- c) Recognition of provision for Sindh Workers' Welfare Fund (note 12);
- d) Taxation (note 3.7 and 19); 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 payments or receipts 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 the 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 the periods presented, unless otherwise stated.

#### **3.1 Financial instruments**

##### **3.1.1 Classification**

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

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

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

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

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

##### **b) Loans and receivables**

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



### **c) Available for sale**

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

#### **3.1.2 Regular way contracts**

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

#### **3.1.3 Recognition**

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

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

#### **3.1.4 Measurement**

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

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

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

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

#### **3.1.5 Fair value measurement principles**

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

#### **3.1.6 Impairment**

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

In case of equity investment classified as 'available for sale', a significant or prolonged decline in the fair value of the equity security below its cost is considered an indicator that the securities are impaired. Impairment loss on investment is recognised in the Income Statement whenever the acquisition cost of

investment exceeds its recoverable amount. Impairment losses recognised on equity securities in the income statement are not reversed subsequently in the income statement.

### **3.1.7 Derecognition**

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

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

### **3.1.8 Offsetting of financial instruments**

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

### **3.2 Unitholders' fund**

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

### **3.3 Issue and redemption of units**

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

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

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

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

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

The element is recognised in the Income Statement to the extent that it is represented by income earned during the year and unrealized 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 Taxation**

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

#### *Current*

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

#### *Deferred*

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

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

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

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

### **3.8 Revenue recognition**

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



(iv) Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of book closure of the investee company / institution declaring the dividend.

(v) Profit on saving accounts with banks are recorded on effective yield method.

### 3.9 Expenses

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

### 3.10 Earnings per unit

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

### 3.11 Cash and cash equivalents

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

### 3.12 Distribution

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

## 4. BALANCES WITH BANKS

	Note	2017 (Rupees in '000)	2016
On current accounts		170,408	13,166
On saving accounts	4.1	4,017,700	1,915,772
		<b>4,188,108</b>	<b>1,928,938</b>

4.1 The balances in saving accounts have an expected profit ranging from 2.00% to 5.70% per annum (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	46,448,966	26,915,773
Investments - 'available for sale'	5.2.1	3,999,898	3,638,571
Investment in ordinary shares - unlisted		-	65
		<b>50,448,864</b>	<b>30,554,409</b>
<b>5.1 Investments - 'at fair value through profit or loss'</b>			
Held for trading	5.1.1	46,147,660	26,675,399
Investments - 'at fair value through profit or loss upon initial recognition'	5.1.5	301,306	240,374
		<b>46,448,966</b>	<b>26,915,773</b>



### 5.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)				%
<b>Sector / companies</b>									
<b>Automobile assembler</b>									
Honda Atlas Cars (Pakistan) Limited	2,741,800	828,600	-	807,200	2,763,200	1,181,194	2,397,601	1,216,407	4.75
Indus Motor Company Limited	816,042	-	-	612,200	203,842	191,518	365,611	174,093	0.72
Millat Tractors Limited	116,900	-	-	-	116,900	66,662	160,672	94,010	0.32
Pakistan Suzuki Motor Company Limited	73,022	40,000	-	113,022	-	-	-	-	
									<b>5.79</b>
<b>Automobile parts and accessories</b>									
Thal Limited (note 5.1.2)	202,307	175,000	-	275,000	102,307	39,913	62,001	22,088	<b>0.12</b>
<b>Chemicals</b>									
Akzo Nobel Pakistan Limited	50,000	-	-	50,000	-	-	-	-	-
Engro Polymer & Chemicals Limited	-	12,899,500	-	1,880,000	11,019,500	349,967	402,212	52,245	0.80
ICI Pakistan Limited	701,800	340,900	-	25,000	1,017,700	617,952	1,113,924	495,972	2.21
Ghani Gases Limited	853,000	-	-	853,000	-	-	-	-	-
Sitara Chemicals Industries Limited	5,500	25,000	-	-	30,500	16,141	13,561	(2,580)	0.03
									<b>3.04</b>
<b>Cement</b>									
Attock Cement Pakistan Limited	7,037	-	-	7,037	-	-	-	-	-
Cherat Cement Company Limited	6,645,612	1,116,300	-	668,700	7,093,212	918,566	1,268,124	349,558	2.51
D.G. Khan Cement Company Limited	4,903,322	5,843,400	-	1,856,800	8,889,922	1,906,052	1,894,976	(11,076)	3.76
Dewan Cement Company Limited	-	6,083,000	-	6,083,000	-	-	-	-	-
Fauji Cement Company Limited	27,563,500	2,084,000	-	9,462,000	20,185,500	738,465	828,211	89,746	1.64
Kohat Cement Company Limited	3,085,500	217,000	-	200,000	3,102,500	814,185	711,279	(102,906)	1.41
Lucky Cement Limited	3,634,479	1,796,650	-	286,800	5,144,329	3,678,114	4,301,997	623,883	8.53
Maple Leaf Cement Factory Limited	4,520,500	4,215,100	-	3,280,000	5,455,600	576,961	607,536	30,575	1.20
Bestway Cement Limited	699,500	-	-	699,500	-	-	-	-	-
Power Cement Limited	-	1,000,000	-	1,000,000	-	-	-	-	-
Pioneer Cement Limited	8,845,000	2,240,800	-	188,000	10,897,800	1,222,706	1,416,714	194,008	2.81
									<b>21.86</b>
<b>Glass and ceramics</b>									
Tariq Glass Industries Limited	1,500	-	-	1,500	-	-	-	-	-
<b>Paper and board</b>									
Cherat Packaging Limited	303,800	-	-	-	303,800	103,830	72,238	(31,592)	0.14
Packages Limited	2,500,379	43,500	-	380,500	2,163,379	1,381,106	1,504,803	123,697	2.98
									<b>3.12</b>
<b>Technology and communication</b>									
Pakistan Telecommunication Company Limited "A"	39,037	250,000	-	39,037	250,000	4,500	3,903	(597)	-
<b>Refinery</b>									
Attock Refinery Limited	497,900	935,000	-	290,000	1,142,900	396,993	437,251	40,258	0.87
National Refinery Limited	805	153,150	-	-	153,955	127,922	111,770	(16,152)	0.22
									<b>1.09</b>
<b>Miscellaneous</b>									
Shifa International Hospitals Limited	737,688	34,100	-	730,800	40,988	12,304	13,526	1,222	<b>0.03</b>
<b>Commercial banks</b>									
Meezan Bank Limited (an associate of the Fund)	7,293,081	1,408,000	-	8,134,000	567,081	41,999	44,799	2,800	<b>0.09</b>
<b>Oil and gas marketing companies</b>									
Attock Petroleum Limited	302,579	25,000	-	-	327,579	149,515	205,205	55,690	0.41
Hascol Petroleum Limited (note 11)	561,248	368,000	-	550,200	379,048	122,531	129,293	6,762	0.26
Hi-Tech Lubricants Limited	-	2,446,700	-	210,000	2,236,700	258,331	243,823	(14,508)	0.48
Pakistan State Oil Company Limited	3,549,523	40,000	-	559,800	3,029,723	1,138,518	1,173,563	35,045	2.33
Shell (Pakistan) Limited	48,300	20,000	-	48,300	20,000	12,059	11,507	(552)	0.02
Sui Southern Gas Company Limited	-	6,035,000	-	1,502,500	4,532,500	187,633	165,028	(22,605)	0.33
Sui Northern Gas Pipelines Limited	9,000	20,774,000	-	5,797,000	14,986,000	1,251,153	2,231,715	980,562	4.42
									<b>8.25</b>
<b>Oil and gas Exploration Companies</b>									
Oil and Gas Development Company Limited	3,823,200	22,600,100	-	425,000	25,998,300	4,118,752	3,657,701	(461,051)	7.25
Pakistan Oilfields Limited	1,228,097	1,327,500	-	175,100	2,380,497	1,030,318	1,090,625	60,307	2.16
Pakistan Petroleum Limited	2,765,350	2,009,200	-	1,331,000	3,443,550	548,446	510,127	(38,319)	1.01
Mari Petroleum Company Limited	1,777,780	293,460	-	15,000	2,056,240	1,984,874	3,239,894	1,255,020	6.42
									<b>16.84</b>

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pakistan) Limited	886,350	413,550	-	130,050	1,169,850	928,249	1,093,342	165,093	2.17
Ferozsons Laboratories Limited	170,000	157,000	-	307,350	19,650	18,300	7,595	(10,705)	0.02
Glaxo Smithkline Pakistan Limited	16	630,000	-	629,200	816	211	161	(50)	-
Glaxo Smithkline Consumer Healthcare Products Limited (note 5.1.4)	1,056	500,500	-	15,000	486,556	75,249	101,695	26,446	0.20
Highnoon Laboratories Limited (note 11)	580	-	69	-	649	334	406	72	-
The Searle Company Limited (note 11)	1,619,168	678,850	399,073	196,150	2,500,941	1,168,339	1,280,432	112,093	2.54
									<b>4.93</b>
<b>Power generation and distribution</b>									
The Hub Power Company Limited	12,664,416	2,254,800	-	2,930,000	11,989,216	1,444,166	1,407,894	(36,272)	2.79
K - Electric Limited (note 5.1.2)	118,282,500	116,831,000	-	20,390,500	214,723,000	1,839,190	1,481,589	(357,601)	2.94
Kohinoor Energy Limited	873,000	-	-	363,000	510,000	21,012	21,966	954	0.04
Lalpir Power Limited	1,410,000	-	-	1,410,000	-	-	-	-	-
Pakgen Power Limited	500	-	-	500	-	-	-	-	-
									<b>5.77</b>
<b>Cable and electrical goods</b>									
Pak Elektron Limited	8,504,750	9,562,500	-	3,584,000	14,483,250	1,119,089	1,597,792	478,703	3.17
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited	3,021,100	2,333,400	-	100,000	5,254,500	768,356	716,504	(51,852)	1.42
Engro Corporation Limited (note 5.1.3)	7,760,500	7,389,800	-	552,400	14,597,900	4,975,866	4,757,602	(218,264)	9.43
Engro Fertilizers Limited	23,036,700	11,513,000	-	2,329,500	32,220,200	2,126,305	1,779,844	(346,461)	3.53
									<b>14.38</b>
<b>Engineering</b>									
Amreli Steels Limited	572,500	550,000	-	750,000	372,500	26,541	45,799	19,258	0.09
Crescent Steel & Allied Products Limited	1,913,100	554,900	-	1,826,100	641,900	135,639	153,138	17,499	0.30
International Industries Limited	-	454,700	-	-	454,700	161,213	167,589	6,376	0.33
International Steel Limited	-	3,906,500	-	708,500	3,198,000	413,803	408,992	(4,811)	0.81
K.S.B. Pumps Company Limited	89,900	-	-	-	89,900	21,904	28,319	6,415	0.06
									<b>1.59</b>
<b>Food and personal care products</b>									
Al-Shaheer Corporation Limited (note 11)	3,979,275	831,500	416,966	2,133,500	3,094,241	147,812	124,110	(23,702)	0.25
Engro Foods Limited	983,921	4,603,600	-	4,693,000	894,521	123,688	108,675	(15,013)	0.22
									<b>0.47</b>
<b>Textile composite</b>									
Kohinoor Textile Mills Limited	808,100	2,000	-	808,100	2,000	238	210	(28)	-
Nishat Mills Limited	1,245,100	3,801,100	-	2,066,500	2,979,700	409,269	472,816	63,547	0.94
									<b>0.94</b>
<b>Total</b>						<b>41,113,953</b>	<b>46,147,660</b>	<b>5,033,707</b>	

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

**5.1.3** 1,000,000 shares of Engro Corporation Limited having market value of Rs. 325.91 million (2016: Rs. 332.97 million) have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

**5.1.4** In 2016, GlaxoSmithKline Pakistan Limited (GSK) announced a de-merger scheme whereby 3 ordinary shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited (GSK CHC) were issued for every 10 ordinary shares held in GSK. The net assets of consumer health business on the said date were Rs. 956 million i.e. 7.67% and hence, the carrying cost was allocated by applying the aforementioned percentage among GSK and GSK CHC and market price has been adjusted accordingly. In the current year, GSK CHC obtained listing on the stock exchange and is classified as "Held for trading - shares of listed companies".



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

### Ordinary shares - listed

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)			%	
<b>Sectors / companies</b>									
<b>Commercial banks</b>									
Meezan Bank Limited (an associate of the Fund)	5,650,206	-	-	1,839,500	3,810,706	161,955	301,046	139,091	<b>0.60</b>
<b>Paper and Board</b>									
Packages Limited	374	-	-	-	374	238	260	22	-
<b>Total</b>						<b>162,193</b>	<b>301,306</b>	<b>139,113</b>	

## 5.2 Investments categorised as 'available for sale'

### 5.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	(Number of shares)				(Rupees in '000)			%	
<b>Sectors / companies</b>									
<b>Automobile assembler</b>									
Honda Atlas Cars (Pakistan) Limited	233,700	-	-	-	233,700	80,064	202,779	122,715	0.40
Pakistan Suzuki Motor Company Limited	805	-	-	805	-	-	-	-	-
									<b>0.40</b>
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	124,880	-	-	-	124,880	1,552	9,866	8,314	0.02
BankIslami Pakistan Limited	875	-	-	-	875	5	12	7	-
									<b>0.02</b>
<b>Chemicals</b>									
ICI Pakistan Limited	75	-	-	-	75	10	82	72	-
<b>Cement</b>									
D.G. Khan Cement Company Limited	60,900	-	-	-	60,900	11,164	12,981	1,817	0.03
Lucky Cement Limited	279,000	-	-	-	279,000	171,162	233,317	62,155	0.46
									<b>0.49</b>
<b>Power Generation and Distribution</b>									
The Hub Power Company Limited	10,377,900	-	-	-	10,377,900	656,997	1,218,677	561,680	<b>2.42</b>
<b>Paper and Board</b>									
Packages Limited	2,027,850	-	-	-	2,027,850	965,943	1,410,532	444,589	<b>2.80</b>
<b>Oil and gas Marketing Companies</b>									
Pakistan State Oil Company Limited	1,489,500	-	-	-	1,489,500	403,815	576,958	173,143	<b>1.14</b>
<b>Oil and gas Exploration Companies</b>									
Mari Petroleum Company Limited	3,800	-	-	-	3,800	3,340	5,987	2,647	0.01
Pakistan Oilfields Limited	415,600	-	-	-	415,600	111,389	190,407	79,018	0.38
									<b>0.39</b>
<b>Refinery</b>									
National Refinery Limited	151	-	-	-	151	28	110	82	-
<b>Pharmaceuticals</b>									
The Searle Company Limited (note 11)	187,000	-	47,498	-	234,498	100,765	120,058	19,293	<b>0.24</b>
<b>Fertilizers</b>									
Engro Corporation Limited	5,000	-	-	-	5,000	1,652	1,630	(22)	-
<b>Textile Composite</b>									
Nishat Mills Limited	104,000	-	-	-	104,000	11,015	16,502	5,487	<b>0.03</b>
<b>Total</b>						<b>2,518,901</b>	<b>3,999,898</b>	<b>1,480,997</b>	
<b>Total cost of investments</b>						<b>2,518,901</b>			

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

	2017 (Rupees in '000)	2016
Market value of investment	3,999,898	3,638,571
Less: Cost of investments	2,518,901	2,565,232
	<b>1,480,997</b>	1,073,339
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year	<b>1,073,339</b>	1,130,171
Less: Impairment loss on listed equity securities classified as 'available for sale' at beginning of the year	<b>46,273</b>	-
	<b>361,385</b>	(56,832)
Impairment loss on listed equity securities classified as 'available for sale' - transferred to income statement	-	46,273
	<b>361,385</b>	(10,559)

**6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	Note	2017 (Rupees in '000)	2016
Deposits		2,600	2,620
Performance rating fee		-	33
Advance tax		77	-
Profit receivable on saving accounts with banks		35,807	11,021
		<b>38,484</b>	13,674

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

Management fee	7.1	91,878	50,211
Sindh Sales Tax on management fee	7.2	11,944	7,030
Sales load		8,631	11,064
Sindh Sales Tax on sales load	7.2	1,122	1,549
Allocated expense	7.3	4,594	2,511
Selling and marketing expense	7.4	73,826	-
Certificate charges		-	5
		<b>191,995</b>	72,370

**7.1** As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 2 percent of average annual net assets in case of Equity Scheme. The remuneration of the Management Company has been charged at the rate of 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. During the year, Sindh Sales Tax at the rate of 13 percent (2016: 14 percent) was charged on the remuneration of Management Company and sales load (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.
- 7.4** Securities and Exchange Commission of Pakistan (SECP) vide a circular no.40 SCD/PRDD/ Circular/361/2016 dated December 30, 2016, allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from January 01, 2017 till December 31, 2019). Maximum cap of selling and marketing expenses shall be 0.4% per annum of net assets of fund or actual expenses whichever is lower. Accordingly, such expenses have been charged effective from February 27, 2017 at the rate of 0.4% of net assets of the Fund.

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

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

The remuneration of the Trustee for the year ended June 30, 2017 and 2016 has been calculated as per the following applicable tariff:

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

- 8.1** 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. During the year, SST at the rate of 13 percent (June 30, 2016: 14 percent) was charged on the remuneration of trustee.

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

Under the provisions of the amended Non-Banking Finance Companies and Notified Entities Regulations 2008, a collective investment scheme categorised as an equity scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Scheme. Provided that for Collective Investment Schemes which on quarterly average basis have at least 1,000 retail investors and more than 50% of Net Assets are held by individual investors, provided that the maximum investment by a single retail investor (considered eligible for calculating the threshold of 1,000) does not exceed 1% of the Net Asset shall pay the annual fee at the rate 0.076% for the next three years from the date of notification of these regulations.

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

## 10. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2017 (Rupees in '000)	2016
Provision for Workers' Welfare Fund (WWF)	12	-	184,606
Charity payable	10.1	24,538	26,066
Withholding tax payable		211,200	86,657
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee		224,672	224,672
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	10.2	31,217	31,217
Sales load payable		1,070	-
Sindh Sales Tax on sales load payable		139	-
Auditors' remuneration		480	480
Zakat payable		193	18
Printing expenses payable		755	164
Shariah advisory fee		2,501	1,500
Provision for Sindh Workers' Welfare Fund (SWWF)	12	340,482	-
Others		94	21
		<b>837,341</b>	<b>555,401</b>

**10.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such portion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 24.538 million (2016: Rs. 26.066 million) is outstanding in this regard after making charity payments of Rs. 22.35 million (2016: Rs. 12.05 million) to renowned charitable institutions. None of the directors of the Management Company 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. 255.889 million (June 30, 2016: Rs. 255.889 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Re. 0.36 (June 30, 2016: Re. 0.52) 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, The Searle Company Limited, Highnoon Laboratories and Al Shaheer Corporation Limited (2016: Hascol Petroleum Limited, The Searle Company Limited, Highnoon Laboratories Limited, Kohinoor Textile Mills 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 Companies 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. 184.61 million. This has resulted in an increase in NAV per unit of Re. 0.32 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. 343.03 million. This has resulted in a decrease in NAV per unit of Re. 0.60 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. 340.48 million (June 30, 2016: nil). Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.47 (June 30, 2016: nil).

### 13. NUMBER OF UNITS IN ISSUE

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

	<b>2017</b>	<b>2016</b>
	<b>(Number of units)</b>	
Total units in issue at beginning of the year	<b>491,662,544</b>	448,391,488
Units issued during the year	<b>666,511,267</b>	394,642,168
Units redeemed during the year	<b>(440,267,429)</b>	(351,371,112)
Total units in issue at end of the year	<b>717,906,382</b>	491,662,544

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

### 14. AUDITORS' REMUNERATION

	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
Statutory audit fee	<b>405</b>	405
Half yearly review	<b>159</b>	159
Other certifications and services	<b>100</b>	100
Out of pocket expenses	<b>51</b>	35
	<b>715</b>	699

### 15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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



Transactions with connected persons 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.

	2017	2016
	(Rupees in '000)	
<b>AI Meezan Investment Management Limited</b>		
<b>- Management Company</b>		
Remuneration payable	91,878	50,211
Sindh Sales Tax on management fee	11,944	7,030
Sales load payable	8,631	11,064
Sindh Sales Tax on sales load	1,122	1,549
Allocated expense	4,594	2,511
Certificate charges	-	5
Selling and marketing expense payable	73,826	-
Investment of 11,769,797 units (2016: 11,573,066 units)	899,330	766,253
<b>Meezan Bank Limited</b>		
Bank balance	480,022	178,313
Sales load payable	6,885	1,913
Sindh Sales Tax on sales load	895	-
Investment as at June 30, 2017: 4,502,667 shares (June 30, 2016: 13,068,167 shares)	355,711	555,397
Investment as at June 30, 2017: 12,475,049 units (June 30, 2016: 15,675,049 units)	953,218	1,037,845
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	4,669	2,586
Sindh Sales Tax on trustee fee payable	608	363
Deposit	100	100
<b>AI Meezan Investment Management Limited</b>		
<b>- Employees' Gratuity Fund</b>		
Investment as at June 30, 2017: 180,189 units (June 30, 2016: 169,208 units)	13,768	11,203
<b>Meezan Financial Planning Fund of Funds</b>		
<b>- Aggressive Allocation Plan</b>		
Investment as at June 30, 2017: 5,755,580 units (June 30, 2016: 4,742,448 units)	439,784	313,997
<b>Meezan Financial Planning Fund of Funds</b>		
<b>- Moderate Allocation Plan</b>		
Investment as at June 30, 2017: 2,676,971 units (June 30, 2016: 2,769,750 units)	204,547	183,385
<b>Meezan Financial Planning Fund of Funds</b>		
<b>- Conservative Allocation Plan</b>		
Investment as at June 30, 2017: 1,335,169 units (June 30, 2016: 1,113,606 units)	102,020	73,732

	2017 (Rupees in '000)	2016
<b>Meezan Financial Planning Fund of Funds - MCPP - I</b> Investment as at June 30, 2017: nil units (June 30, 2016: 14,680,450 units)	-	971,993
<b>Meezan Financial Planning Fund of Funds - MCPP - II</b> Investment as at June 30, 2017: nil units (June 30, 2016: 15,391,100 units)	-	1,019,045
<b>Meezan Financial Planning Fund of Funds - MAAP - I</b> Investment as at June 30, 2017: 13,417,797 units (June 30, 2016: 16,178,167 units)	<b>1,025,254</b>	1,071,156
<b>Meezan Financial Planning Fund of Funds - MAAP - II</b> Investment as at June 30, 2017: 10,859,058 units (June 30, 2016: 11,833,268 units)	<b>829,741</b>	783,481
<b>Meezan Financial Planning Fund of Funds - MAAP - III</b> Investment as at June 30, 2017: 28,489,889 units (June 30, 2016: 32,276,978 units)	<b>2,176,912</b>	2,137,059
<b>Meezan Financial Planning Fund of Funds - MAAP - IV</b> Investment as at June 30, 2017: 9,021,808 units (June 30, 2016: 5,047,854 units)	<b>689,356</b>	334,218
<b>Meezan Capital Preservation Fund-II</b> Investment as at June 30, 2017: nil units (June 30, 2016: 12,740,732 units)	-	843,564
<b>Meezan Strategic Allocation Fund - MSAP - I</b> Investment as at June 30, 2017: 24,362,251 units (June 30, 2016: nil)	<b>1,861,520</b>	-
<b>Meezan Strategic Allocation Fund - MSAP - II</b> Investment as at June 30, 2017: 10,307,902 units (June 30, 2016: nil)	<b>787,627</b>	-
<b>Meezan Strategic Allocation Fund - MSAP - III</b> Investment as at June 30, 2017: 18,334,830 units (June 30, 2016: nil)	<b>1,400,963</b>	-
<b>Meezan Strategic Allocation Fund - MSAP - IV</b> Investment as at June 30, 2017: 16,203,703 units (June 30, 2016: nil)	<b>1,238,125</b>	-
<b>Directors and executives of the Management Company</b> Investment as at June 30, 2017: 5,987,885 units (June 30, 2016: 5,173,558 units)	<b>457,534</b>	342,541



**For the year ended  
June 30,**

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

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

Remuneration for the year	<b>900,774</b>	558,765
Sindh Sales Tax and Federal Excise Duty on management fee	<b>117,101</b>	180,145
Allocated expense	<b>45,039</b>	15,183
Selling and marketing expense	<b>73,826</b>	-
Units issued: 12,539,552 units (2016: 12,239,623 units)	<b>1,075,602</b>	736,841
Units redeemed: 12,342,822 units (2016: 12,917,753 units)	<b>953,993</b>	780,000
Dividend paid	<b>55,602</b>	49,702

**Meezan Bank Limited**

Profit on saving accounts	<b>5,119</b>	1,923
Shares purchased during the year: 1,408,000 shares (2016: 528,000 shares)	<b>97,118</b>	22,127
Shares disposed off during the year: 9,973,500 shares (2016: 3,514,919 shares)	<b>626,021</b>	159,994
Units redeemed: 3,200,000 units (2016: nil)	<b>288,263</b>	-
Dividend income	<b>29,086</b>	42,239
Dividend paid	<b>62,375</b>	80,726

**Central Depository Company of Pakistan Limited - Trustee**

Trustee fee	<b>46,039</b>	28,938
Sindh Sales Tax on trustee fee	<b>5,985</b>	4,052
CDS charges	<b>1,508</b>	1,054

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

Units issued: 10,981 units (2016: 323,574)	<b>846</b>	18,643
Units redeemed: nil (2016: 274,884)	<b>-</b>	19,000
Dividend paid	<b>846</b>	744

**Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan**

Units issued: 6,721,531 units (2016: 1,699,615 units)	<b>543,436</b>	106,149
Units redeemed: 5,708,399 units (2016: 944,892 units)	<b>464,902</b>	59,980
Dividend paid	<b>26,872</b>	22,027

**Meezan Financial Planning Fund of Funds - Moderate Allocation Plan**

Units issued: 4,394,776 units (2016: 1,490,991 units)	<b>347,116</b>	93,787
Units redeemed: 4,487,555 units (2016: 1,796,604 units)	<b>368,123</b>	112,243
Dividend paid	<b>13,336</b>	15,301

**Meezan Financial Planning Fund of Funds - Conservative Allocation Plan**

Units issued: 2,278,036 units (2016: 727,555 units)	<b>176,869</b>	45,641
Units redeemed: 2,056,473 units (2016: 1,079,922 units)	<b>167,745</b>	66,987
Dividend paid	<b>6,345</b>	6,581

**Meezan Financial Planning Fund of Funds - MCPP - I**

Units issued: 1,605,687 units (2016: 13,746,230 units)	<b>109,000</b>	852,635
Units redeemed: 16,286,137 units (2016: 19,873,403 units)	<b>1,164,107</b>	1,183,552
Dividend paid	<b>-</b>	87,762

**Meezan Financial Planning Fund of Funds - MCPP - II**

Units issued: 7,515,588 units (2016: 25,323,694 units)	<b>530,000</b>	1,575,038
Units redeemed: 22,906,688 units (2016: 35,560,005 units)	<b>1,792,374</b>	2,087,888
Dividend paid	<b>-</b>	101,024

**For the year ended  
June 30,**

**Meezan Financial Planning Fund of Funds - MAAP - I**

Units issued: 3,991,012 units (2016: 21,408,494 units)  
Units redeemed: 6,751,382 units (2016: 5,230,327 units)  
Dividend paid

**Meezan Financial Planning Fund of Funds - MAAP - II**

Units issued: 2,714,754 units (2016: 16,290,892 units)  
Units redeemed: 3,688,964 units (2016: 4,457,624 units)  
Dividend paid

**Meezan Financial Planning Fund of Funds - MAAP - III**

Units issued: 7,547,389 units (2016: 39,206,278 units)  
Units redeemed: 11,334,478 units (2016: 6,929,300 units)  
Dividend paid

**Meezan Financial Planning Fund of Funds - MAAP - IV**

Units issued: 5,484,869 units (2016: 5,047,854 units)  
Units redeemed: 1,510,915 units (2016: nil)  
Dividend paid

**Meezan Capital Preservation Fund-III**

Units issued: nil (2016: 1,647,259 units)  
Units redeemed: nil (2016: 44,374,262 units)  
Dividend paid

**Meezan Capital Preservation Fund-II**

Units issued: 1,541,121 units (2016: 32,059,791 units)  
Units redeemed: 14,281,853 units (2016: 43,487,325 units)  
Dividend paid

**Meezan Strategic Allocation Fund - MSAP - I**

Units issued: 25,999,486 units (2016: nil)  
Units redeemed: 1,637,235 units (2016: nil)  
Dividend paid

**Meezan Strategic Allocation Fund - MSAP - II**

Units issued: 10,307,902 units (2016: nil)  
Dividend paid

**Meezan Strategic Allocation Fund - MSAP - III**

Units issued: 18,334,830 units (2016: nil)  
Dividend paid

**Meezan Strategic Allocation Fund - MSAP - IV**

Units issued: 16,203,703 units (2016: nil)  
Dividend paid

**Directors and executives of the Management Company**

Units issued: 1,246,081 units (2016: 751,166 units)  
Units redeemed: 408,951 units (2016: 272,211 units)  
Dividend paid

2017	2016
(Rupees in '000)	
<b>309,718</b>	1,313,189
<b>511,000</b>	324,000
<b>63,001</b>	45,689
<b>205,987</b>	979,017
<b>275,000</b>	275,000
<b>50,987</b>	33,418
<b>576,769</b>	2,398,154
<b>838,500</b>	434,000
<b>133,769</b>	91,154
<b>399,360</b>	345,367
<b>126,000</b>	-
<b>42,360</b>	13,189
-	97,099
-	2,571,500
-	93,999
<b>107,000</b>	2,021,170
<b>1,044,127</b>	2,761,830
-	53,170
<b>1,977,388</b>	-
<b>140,000</b>	-
<b>114,388</b>	-
<b>876,399</b>	-
<b>48,399</b>	-
<b>1,554,610</b>	-
<b>86,088</b>	-
<b>1,362,088</b>	-
<b>76,082</b>	-
<b>103,977</b>	55,586
<b>32,348</b>	16,188
<b>28,342</b>	25,288



## 16. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

### 16.1 Credit risk

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

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

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

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

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

	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
<b>Financial assets exposed to credit risk</b>		
Balances with banks	<b>4,188,108</b>	1,928,938
Receivable on issuance and conversion of units	<b>1,530,182</b>	1,309,796
Dividend receivable	<b>252,501</b>	48,558
Deposits and other receivables	<b>38,407</b>	13,641
	<b>6,009,198</b>	3,300,933

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)
AAA	PACRA/ JCR-VIS	<b>71,897</b>	<b>1.72</b>	574,956	29.81
AA+	PACRA/ JCR-VIS	<b>1,135,970</b>	<b>27.12</b>	206,430	10.70
AA-	PACRA/ JCR-VIS	<b>1,511,743</b>	<b>36.10</b>	-	-
AA	PACRA/ JCR-VIS	<b>502,783</b>	<b>12.01</b>	185,240	9.60
A+	PACRA/ JCR-VIS	<b>965,243</b>	<b>23.04</b>	226,508	11.74
A	PACRA	<b>472</b>	<b>0.01</b>	735,804	38.15
		<b>4,188,108</b>	<b>100.00</b>	1,928,938	100.00

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

None of the financial assets were considered to be past due or impaired as on June 30, 2017.

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 counterparties on their obligations to the Fund.

## 16.2 Liquidity risk

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

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

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

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

In addition, SECP vide direction No. SCD/Direction/380/2017, dated January 13, 2017, directed the Asset Management Companies (AMCs) to arrange committed credit lines from banks / Development Finance Institutions equivalent to 15% of the net assets of the fund for redemption purposes which was subsequently decreased to 10% of the net assets of the fund vide direction No. SCD/Direction/447/2017, dated March 03, 2017.

The Management Company on behalf of fund has arranged with banks where credit lines amounting to Rs. 5,492 million will be provided, if the need arises. The Management Company will review these credit lines against net assets of the Fund on 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				
	Maturity upto				Total
	Three months	Six months	One year	More than one year	
(Rupees in '000)					
Payable to Al Meezan Investment Management Limited - Management Company	191,995	-	-	-	191,995
Payable to Central Depository Company of Pakistan Limited - Trustee	5,277	-	-	-	5,277
Payable to Meezan Bank Limited	7,780	-	-	-	7,780
Payable on redemption and conversion of units	109,957	-	-	-	109,957
Dividend payable	345,340	-	-	-	345,340
Payable against investments - (net)	64,953	-	-	-	64,953
Accrued expenses and other liabilities	285,466	-	-	-	285,466
	<b>1,010,768</b>	-	-	-	<b>1,010,768</b>

	2016				
	Maturity upto				Total
	Three months	Six months	One year	More than one year	
(Rupees in '000)					
Payable to Al Meezan Investment Management Limited - Management Company	72,370	-	-	-	72,370
Payable to Central Depository Company of Pakistan Limited - Trustee	2,949	-	-	-	2,949
Payable to Meezan Bank Limited	1,913	-	-	-	1,913
Payable on redemption and conversion of units	111,869	-	-	-	111,869
Payable against investments (net)	529,926	-	-	-	529,926
Accrued expenses and other liabilities	284,120	-	-	-	284,120
	<b>1,003,147</b>	-	-	-	<b>1,003,147</b>

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

### 16.3 Market risk

#### 16.3.1 Price risk

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

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

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

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



The net assets of the Fund will increase / (decrease) by Rs. 504.448 million (2016: Rs. 305.544 million) if the prices of equity vary due to increase / (decrease) in KMI 30 by 1% with all other factors held constant.

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

### 16.3.2 Interest rate risk

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

#### *Cash flow interest rate risk*

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

At June 30, 2017, if there has been an increase / (decrease) of 100 basis points in interest rates, with all other variables held constant, the net assets of the Fund for the year then ended would have been higher / (lower) by Rs. 40.177 million (2016: Rs. 19.158 million) mainly as a result of finance income.

#### *Fair value interest rate risk*

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

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

Effective yield / interest rate	As at June 30, 2017			Not exposed to yield / interest rate risk	Total
	Exposed to yield / interest rate risk				
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					
<b>On-balance sheet financial instruments</b>					
<i>Financial assets</i>					
Balances with banks	2.00% to 5.70%	4,017,700	-	170,408	4,188,108
Investments - ordinary shares		-	-	50,448,864	50,448,864
Receivable on issuance and conversion of units		-	-	1,530,182	1,530,182
Dividend receivable		-	-	252,501	252,501
Deposits and other receivables		-	-	38,407	38,407
		4,017,700	-	52,440,362	56,458,062
<i>Financial liabilities</i>					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	191,995	191,995
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	5,277	5,277
Payable to Meezan Bank Limited		-	-	7,780	7,780
Payable on redemption and conversion of units		-	-	109,957	109,957
Dividend payable		-	-	345,340	345,340
Payable against investments (net)		-	-	64,953	64,953
Accrued expenses and other liabilities		-	-	285,466	285,466
		-	-	1,010,768	1,010,768
<b>On-balance sheet gap</b>		4,017,700	-	51,429,594	55,447,294
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		4,017,700	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		4,017,700	4,017,700	4,017,700	-



As at June 30, 2016

Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
(Rupees in '000)						
<b>On-balance sheet financial instruments</b>						
<i>Financial assets</i>						
Balances with banks	2.50% to 6.10%	1,915,772	-	-	13,166	1,928,938
Investments - ordinary shares		-	-	-	30,554,409	30,554,409
Receivable on issuance and conversion of units		-	-	-	1,309,796	1,309,796
Dividend receivable		-	-	-	48,558	48,558
Deposits and other receivables		-	-	-	13,641	13,641
		1,915,772	-	-	31,939,570	33,855,342
<i>Financial liabilities</i>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	72,370	72,370
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,949	2,949
Payable to Meezan Bank Limited		-	-	-	1,913	1,913
Payable on redemption and conversion of units		-	-	-	111,869	111,869
Payable against investments (net)		-	-	-	529,926	529,926
Accrued expenses and other liabilities		-	-	-	284,120	284,120
		-	-	-	1,003,147	1,003,147
On-balance sheet gap		1,915,772	-	-	30,936,423	32,852,195
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		1,915,772	-	-		
Cumulative interest rate sensitivity gap		1,915,772	1,915,772	1,915,772		

### 16.3.3 Currency risk

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

## 17. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

In accordance with the risk management policies stated in the note 16, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Note	Carrying amount					Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total
<b>June 30, 2017</b>									
(Rupees in '000)									
<b>Financial assets - measured at fair value</b>									
Investments	50,448,864	-	-	-	50,448,864	50,448,864	-	-	50,448,864
<b>Financial assets - not measured at fair value</b>									
Balances with banks	18.1	-	4,188,108	-	4,188,108				
Receivable on issuance and conversion of units	18.1	1,530,182	-	-	1,530,182				
Dividend receivable	18.1	252,501	-	-	252,501				
Deposits and other receivables	18.1	38,407	-	-	38,407				
		<u>50,448,864</u>	<u>1,821,090</u>	<u>4,188,108</u>	<u>-</u>				<u>6,009,198</u>
<b>Financial liabilities - not measured at fair value</b>									
Payable to Al Meezan Investment Management Limited - Management Company	18.1	-	-	191,995	191,995				
Payable to Central Depository Company of Pakistan Limited - Trustee	18.1	-	-	5,277	5,277				
Payable to Meezan Bank Limited	18.1	-	-	7,780	7,780				
Payable on redemption and conversion of units	18.1	-	-	109,957	109,957				
Dividend Payable	18.1	-	-	345,340	345,340				
Payable against investments (net)	18.1	-	-	64,953	64,953				
Accrued expenses and other liabilities	18.1	-	-	285,466	285,466				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,010,768</u>				<u>1,010,768</u>



Note	Carrying amount					Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total
<b>June 30, 2016</b>									
<b>Financial assets - measured at fair value</b>									
Investments	30,554,409	-	-	-	30,554,409	30,554,344	65	-	30,554,409
<b>Financial assets - not measured at fair value</b>									
Balances with banks	18.1	-	1,928,938	-	1,928,938				
Receivable on issuance and conversion of units	18.1	1,309,796	-	-	1,309,796				
Dividend receivable	18.1	48,558	-	-	48,558				
Deposits and other receivables	18.1	13,641	-	-	13,641				
		30,554,409	1,371,995	1,928,938	-	33,855,342			
<b>Financial liabilities - not measured at fair value</b>									
Payable to Al Meezan Investment Management Limited - Management Company	18.1	-	-	72,370	72,370				
Payable to Central Depository Company of Pakistan Limited - Trustee	18.1	-	-	2,949	2,949				
Payable to Meezan Bank Limited	18.1	-	-	1,913	1,913				
Payable on redemption and conversion of units	18.1	-	-	111,869	111,869				
Payable against investments (net)	18.1	-	-	529,926	529,926				
Accrued expenses and other liabilities	18.1	-	-	284,120	284,120				
		-	-	1,003,147	1,003,147				

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

## 19. TAXATION

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

## 20. PERFORMANCE TABLE

	2017	2016	2015	2014
Net assets (Rs. '000) (ex-distribution)	<b>54,852,709</b>	32,554,406	26,416,256	16,621,765
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>76.41</b>	66.21	58.91	50.24
Offer price per unit as at June 30, (Rs.) (ex-distribution)	<b>78.14</b>	67.96	60.48	51.72
Highest offer price per unit (Rs.)	<b>94.09</b>	72.03	63.92	59.29
Lowest offer price per unit (Rs.)	<b>68.36</b>	56.94	48.78	45.76
Highest redemption price per unit (Rs.)	<b>92.01</b>	70.17	62.26	57.60
Lowest redemption price per unit (Rs.)	<b>66.85</b>	55.47	47.40	44.45
<b>Distribution (%)</b>				
Interim	-	5.90	-	15.30
Final	<b>5.00</b>	4.40	-	-
<b>Date of distribution</b>				
Interim	<b>June 23, 2017</b>	June 23, 2016	-	May 30, 2014
Final	-	July 3, 2015	-	-
Income distribution (Rupees in '000)	-	-	-	1,293
Growth distribution (Rupees in '000)	<b>3,316,003</b>	2,277,467	-	2,068,741
Total return (%)	<b>22.96</b>	17.40	21.64	28.87
	<b>One Year</b>	<b>Two Years</b>	<b>Three Years</b>	<b>Four Years</b>
Average annual return as at June 30, 2017 (%)	<b>22.96</b>	20.15	20.64	22.65

## Investment portfolio composition of the Fund

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

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

### 21. 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 year ended June 30, 2017 is 3.67% which include 1.14% representing government levy, Worker Welfare Fund and SECP fee.

### 22. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad 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 / ACCA	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

#### 22.2 The Fund manager of the Fund is Mr. Muhammad Asad.

### 23. 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.



**24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE**

**2017**

**Broker's Name**

1. JS Global Capital Limited.	<b>12%</b>
2. BMA Capital Management Limited	<b>9%</b>
3. Top Line Securities (Private) Limited	<b>9%</b>
4. Arif Habib Limited.	<b>7%</b>
5. Shajar Capital Pakistan (Private) Limited	<b>7%</b>
6. Fortune Securities Limited	<b>7%</b>
7. Foundation Securities (Private) Limited	<b>6%</b>
8. Next Capital Limited	<b>6%</b>
9. AKD Securities Limited	<b>5%</b>
10. Alfalah Securities (Private) Limited	<b>4%</b>

**Broker's Name**

**2016**

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

**25. PATTERN OF UNIT HOLDING**

**As at June 30, 2017**

	<b>Number of investors</b>	<b>Investment amount</b> (Rupees in '000)	<b>Percentage of total investment</b> %
Individuals	<b>22,848</b>	<b>26,405,260</b>	<b>48.14</b>
Associated companies / directors	<b>19</b>	<b>13,041,877</b>	<b>23.77</b>
Insurance companies	<b>24</b>	<b>2,054,248</b>	<b>3.75</b>
Banks / DFIs	<b>2</b>	<b>89,675</b>	<b>0.16</b>
Retirement funds	<b>162</b>	<b>7,671,412</b>	<b>13.99</b>
Others	<b>170</b>	<b>5,590,237</b>	<b>10.19</b>
<b>Total</b>	<b>23,225</b>	<b>54,852,709</b>	<b>100.00</b>

**As at June 30, 2016**

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

## 26. GENERAL

### 26.1 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 Al 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:

	<b>June 30, 2016</b>		
	<b>As previously reported</b>	<b>Impact</b>	<b>As stated</b>
	<b>(Rupees in '000)</b>		
<b>Effects on statement of assets and liabilities</b>			
<i>Liabilities</i>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	<u>327,962</u>	<u>(255,592)</u>	<u>72,370</u>
Accrued expenses and other liabilities	<u>299,809</u>	<u>255,592</u>	<u>555,401</u>


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

**26.2** 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.

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

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

  
**Mohammad Shoib, CFA**  
**Chief Executive**

  
**Mazhar Sharif**  
**Director**



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

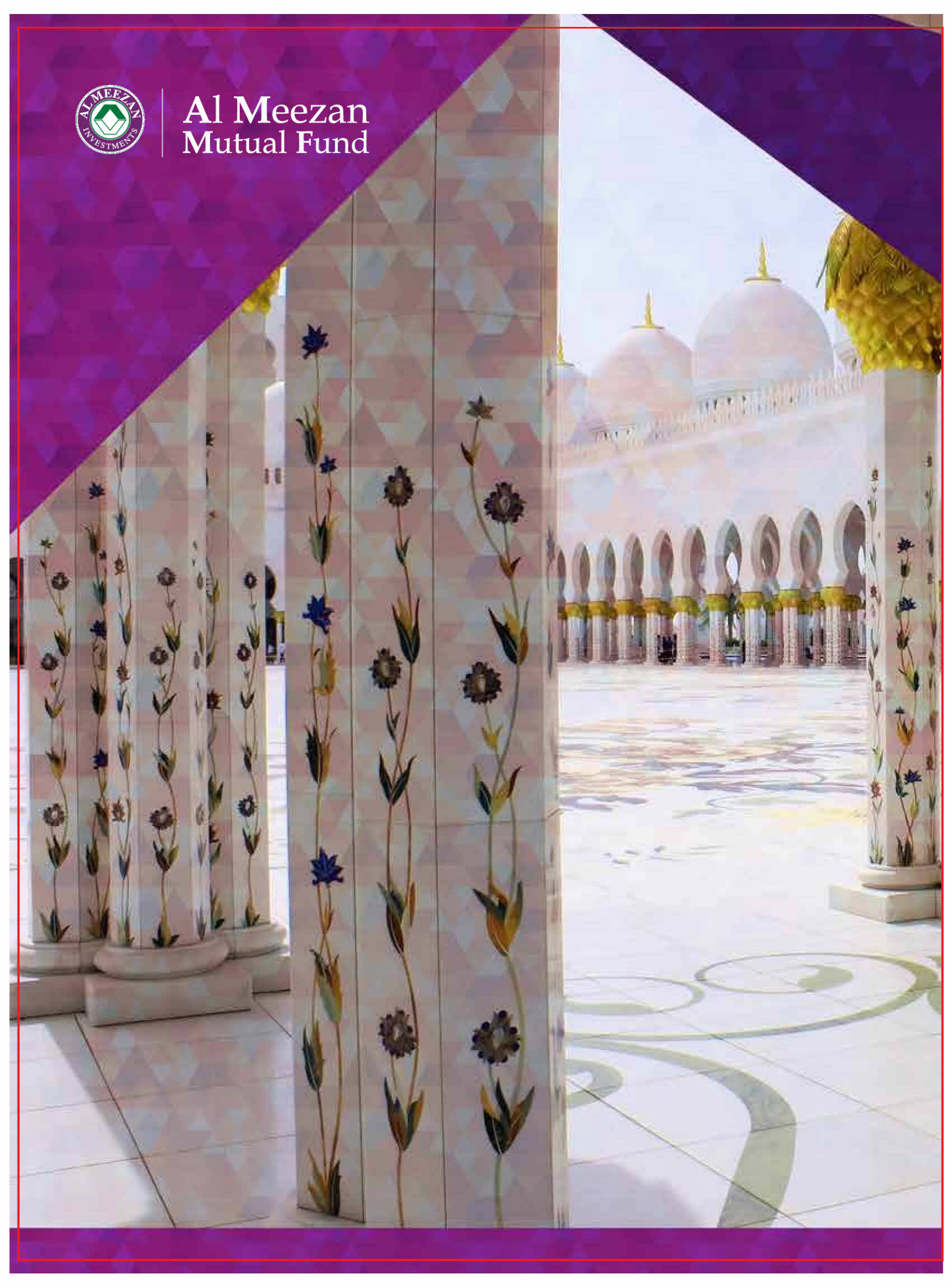
AS AT JUNE 30, 2017

<b>UNITS HELD BY</b>	<b>UNITS HELD</b>	<b>%</b>
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	11,769,797	1.64
Meezan Bank Limited	12,475,049	1.74
Al Meezan Investment Management Limited - Employees Gratuity Fund	180,189	0.03
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan	5,755,580	0.80
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan	2,676,970	0.37
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan	1,335,168	0.19
Meezan Financial Planning Fund of Funds - MAAP - I	13,417,798	1.87
Meezan Financial Planning Fund of Funds - MAAP - II	10,859,059	1.51
Meezan Financial Planning Fund of Funds - MAAP - III	28,489,889	3.97
Meezan Financial Planning Fund of Funds - MAAP - IV	9,021,809	1.26
Meezan Strategic Allocation Fund - Meezan Strategic Allocation Plan - I	24,362,251	3.39
Meezan Strategic Allocation Fund - Meezan Strategic Allocation Plan - II	10,307,902	1.44
Meezan Strategic Allocation Fund - Meezan Strategic Allocation Plan - III	18,334,814	2.55
Meezan Strategic Allocation Fund - Meezan Strategic Allocation Plan - IV	16,203,792	2.26
<b>Directors</b>		
Mr. Ariful Islam	404,454	0.06
Amir Ali Zaidi	1,135	-
Mr. Mazhar Sharif	9	-
Syed Amir Ali	66,046	0.01
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	5,028,984	0.69
<b>Executives</b>	487,257	0.07
<b>Public Limited Companies</b>	5,324,992	0.74
<b>Banks and financial institutions</b>	1,173,665	0.16
<b>Individuals</b>	345,101,961	48.06
<b>Retirement Funds</b>	100,402,613	13.99
<b>Other Corporate Sector Entities</b>	60,885,599	8.48
<b>Insurance Companies</b>	26,885,775	3.75
<b>Non-Profit Organisations</b>	6,953,825	0.97
<b>Total</b>	<b>717,906,382</b>	<b>100.00</b>





# Al Meezan Mutual Fund





## AL-MEEZAN MUTUAL FUND (AMMF):

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

# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. 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)	Habib Metropolitan Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking	MCB Islamic Bank Limited
Bank Alfalah Limited - Islamic Banking	Meezan Bank Limited
Bank Islami Pakistan Limited	National Bank of Pakistan - Islamic Banking
Dubai Islamic Bank	UBL Ameen - Islamic Banking

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



# REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2017

### Type of Fund

Open end equity fund

### Objective

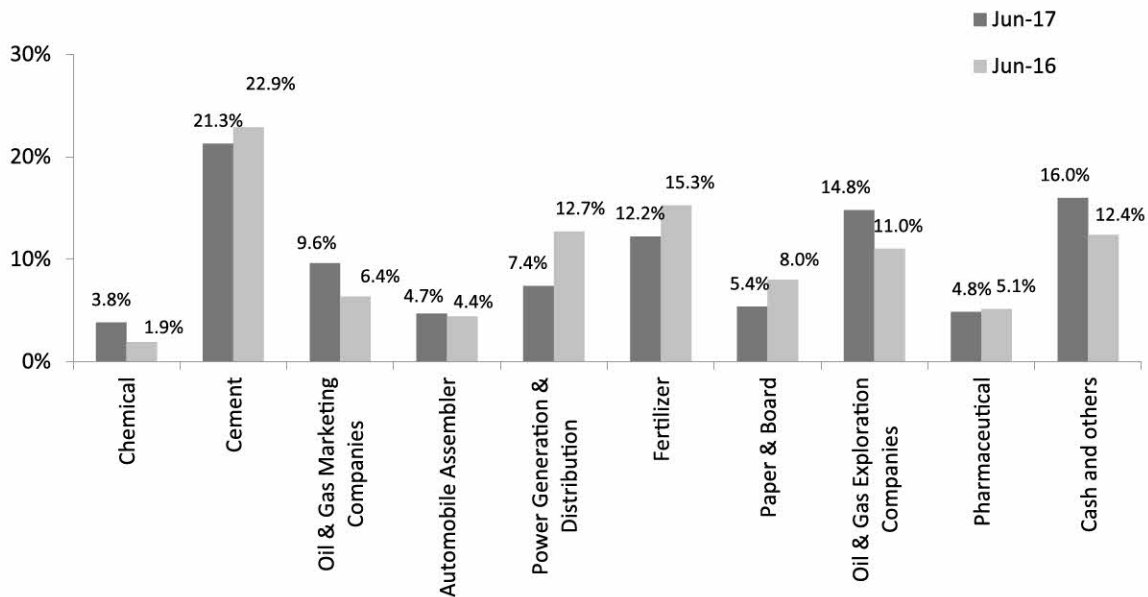
The objective of AMMF is to provide maximum total return to the shareholders by investing in "Shariah compliant" equity avenues for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

### Strategy, Investment Policy and Asset Allocation

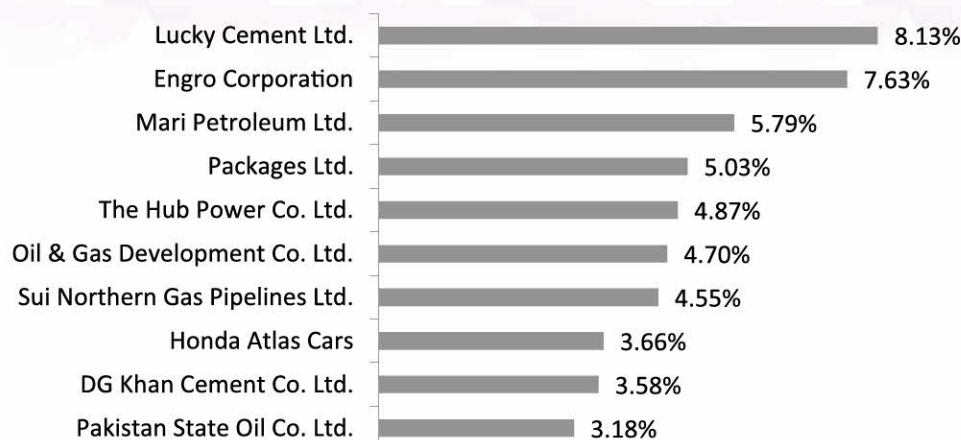
The performance of AMMF is directly linked to the performance of the equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced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

AMMF started the year with 97% exposure to equities, touched a maximum of 98% and minimum of 90% during the fiscal year, on average remained 94% invested and closed the year at 93% invested percentage. Although allocation remained diversified across sectors, major holdings remained in the Cement and Oil & Gas Exploration sectors. However, exposure in Fertilizer, Power Generation & Distribution and Paper and Board sectors was reduced due to weak outlook.

## Sector Allocation for the year ended FY16 and FY17



## Top Holdings

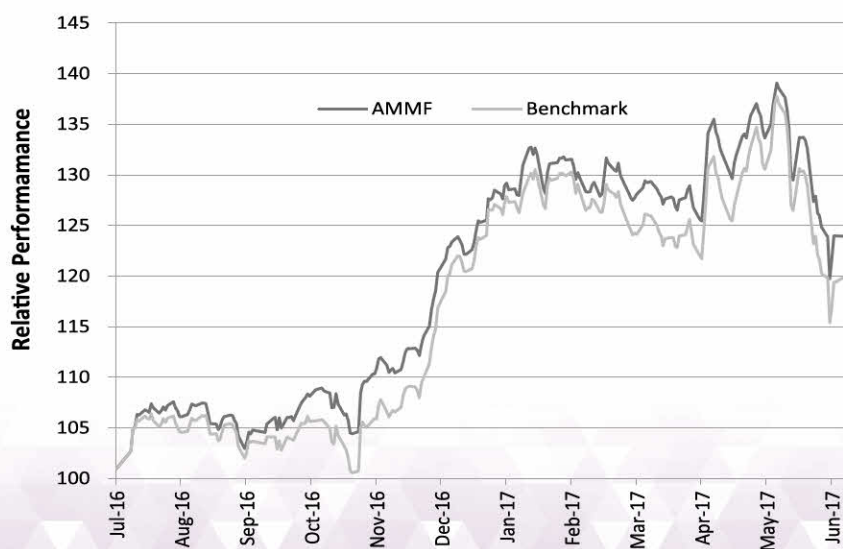


### Performance Review

During FY17, Al Meezan Mutual Fund (AMMF) provided a return of 23.01% to its investors while the KSE Meezan Index (KMI 30) appreciated by 18.80% to close at 78,598 pts.

The Fund earned a gross income of Rs. 1,376 million in the fiscal year 2017 as compared to Rs. 866 million last year. Total income comprised of realized and unrealized capital gains on investments of Rs.267 million and Rs. 767 million respectively. Dividend income contributed Rs. 275 million to income, while profit on saving accounts with banks and income from reversal of WWF amounted to Rs. 32 million and Rs.35 million respectively. After accounting for expenses of Rs. 277 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 356 million, the Fund posted a net income of Rs. 1,455 million. The net assets of the Fund as at June 30, 2017 were Rs. 9,079 million as compared to Rs. 5,418 million last year depicting a rise of 67.57%. The net asset value per unit as at June 30, 2017 was Rs. 21.14 as compared to Rs. 17.99 per unit as on June 30, 2016.

	<b>AMMF (NAV)</b>	<b>KMI-30 (Index Points)</b>
Net Asset Value (NAV) as on June 30, 2016- Rs.	17.99	66,163
Net Asset Value (NAV) as on June 30, 2017- Rs.	21.14	78,598
<b>Return During the Period (Dividend adjusted)</b>	<b>23.01%</b>	<b>18.80%</b>





## 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. 3.41 million was accrued as charity payable.

## Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2017 was Rs. 1.00 per unit (10%). Total distribution made by the fund was Rs. 412.31 million.

## Breakdown of unit holdings by size:

(As on June 30, 2017)

Range (Units)	No. of Investors
1 - 9,999	2,209
10,000 - 49,999	1,087
50,000 - 99,999	295
100,000 - 499,999	270
500,000 and above	68
<b>Total</b>	<b>3,929</b>



**Meezan Bank**  
The Premier Islamic Bank

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

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

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

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

- i. We have reviewed and approved the modes of investments of AMMF in light of *Shari'ah* requirements. Following is the list of the top investments of AMMF as on June 30, 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)
Lucky Cement	Cement	7.81%	15.66%	2.87%	67%	1.64	866
Engro Corporation Ltd	Fertilizer	23.5%	22.29%	0.73%	63%	(28.82)	
Mari Petroleum Ltd	Oil & Gas Exploration Companies	5.85%	0.00%	0.17%	37.5%	(52.49)	
Packages Ltd.	Paper & Board	16.42%	5.85%	0.13%	84%	(95.54)	
Oil & Gas Development Company***	Oil & Gas Exploration Companies	0.00%	25.07%	6.21%	39%	59.07	165.35

Page 1 of 2

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



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Sui Northern Gas Company	Oil & Gas Marketing Companies	20.70%	0.00%	1.39%	58%	(231.74)	
Honda Atlas Car	Automobile Assembler	0.03%	16.79%	0.94%	32%	(6.72)	
DGKC	Cement	11.90%	3.29%	4.76%	90%	(37.70)	
PSO***	Oil & Gas Marketing Companies	33.64%	13.03%	1.10%	20%	95.40	434.21

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

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

During the year a provision of Rupees 3.41 million was created and an amount of Rupees 2.10 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 Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL MEEZAN MUTUAL FUND**

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

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

<b>Category</b>	<b>Names</b>
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

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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Al Meezan Investment Management Limited (“Management Company”) of the Fund for the year ended 30 June 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  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

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

## **Independent Auditors' Report to the Unitholders**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Al Meezan Mutual 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.*

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

# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
<b>Assets</b>			
Balances with banks	4	798,436	218,236
Investments	5	8,435,017	5,264,025
Receivable on issuance and conversion of units		17,373	55,252
Dividend receivable		40,481	25,608
Deposits, prepayments and other receivables	6	14,896	5,485
<b>Total assets</b>		<b>9,306,203</b>	<b>5,568,606</b>
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	7	31,425	10,742
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	961	613
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	7,353	4,245
Payable to Meezan Bank Limited (MBL)		784	866
Payable on redemption and conversion of units		6,830	15,929
Accrued expenses and other liabilities	10	122,120	101,527
Payable against investments (net)		15,116	11,515
Dividend payable		42,149	4,772
<b>Total liabilities</b>		<b>226,738</b>	<b>150,209</b>
<b>Net assets</b>		<b>9,079,465</b>	<b>5,418,397</b>
<b>Contingencies and commitments</b>	12		
<b>Unitholders' fund (as per statement attached)</b>		<b>9,079,465</b>	<b>5,418,397</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>	13	<b>429,471,241</b>	<b>301,149,646</b>
<b>(Rupees)</b>			
<b>Net assets value per unit</b>		<b>21.14</b>	<b>17.99</b>

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

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



**Mohammad Shoaib, CFA**  
Chief Executive



**Mazhar Sharif**  
Director



## INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
<b>Income</b>			
Net realised gain on sale of investments		266,922	153,364
Dividend income		275,252	207,033
Profit on saving accounts with banks		32,416	10,773
Reversal of provision for Workers' Welfare Fund (WWF)	11	34,828	-
Back end load		-	17
Other income		-	15
		<b>609,418</b>	371,202
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	766,521	494,807
<b>Total income</b>		<b>1,375,939</b>	866,009
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7.1	154,800	89,026
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 10.2	20,124	28,646
Allocated expenses	7.3	7,737	2,554
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	8,740	5,452
Sindh Sales Tax on trustee fee	8.1	1,114	785
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	7,353	4,245
Auditors' remuneration	14	771	753
Fees and subscription		884	399
Legal and professional charges		688	669
Charity expense	10.1	3,413	2,317
Brokerage expense		6,406	6,706
Bank and settlement charges		2,014	1,656
Selling and marketing expenses	7.4	12,746	-
Provision for Sindh Workers' Welfare Fund (SWWF)	11	50,068	-
<b>Total expenses</b>		<b>276,858</b>	143,208
<b>Net income from operating activities</b>		<b>1,099,081</b>	722,801
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		356,308	18,066
<b>Net income for the year before taxation</b>		<b>1,455,389</b>	740,867
Taxation	19	-	-
<b>Net income for the year after taxation</b>		<b>1,455,389</b>	740,867
<b>Other comprehensive income for the year</b>			
<b>Items that may be reclassified to income statements in subsequent periods</b>			
Unrealised appreciation on re-measurement of investments classified as 'available for sale' (net)	5.2.1	219,679	11,346
<b>Total comprehensive income for the year</b>		<b>1,675,068</b>	752,213

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

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

**Mohammad Shoaib, CFA  
Chief Executive**

**Mazhar Sharif  
Director**



# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
Undistributed income brought forward			
- Realised		898,957	495,043
- Unrealised		494,807	395,282
		<b>1,393,764</b>	890,325
Less: Interim distribution for the period ended June 30, 2017 - cash dividend @ 10% (Re. 1.00 per unit) (June 30, 2016: @ 8.2% (Re. 0.82 per unit))		(412,311)	(235,503)
Net income for the year		<b>1,455,389</b>	740,867
Element of income / (loss) and capital gains (losses) included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)		89,860	(1,925)
Undistributed income carried forward		<b>2,526,702</b>	1,393,764
Undistributed income carried forward			
- Realised		1,760,181	898,957
- Unrealised	5.1	766,521	494,807
		<b>2,526,702</b>	1,393,764

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

For Al Meezan Investment Management Limited  
(Management Company)



**Mohammad Shoaib, CFA**  
Chief Executive



**Mazhar Sharif**  
Director



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

	2017 (Rupees in '000)	2016
Net assets at beginning of the year	<b>5,418,397</b>	4,006,911
Issuance of 249,770,956 units (June 30, 2016: 157,200,964 units)	<b>5,401,020</b>	2,677,902
Redemption of 121,449,361 units (June 30, 2016: 102,121,029 units)	<b>(2,646,401)</b>	(1,765,060)
	<b>2,754,619</b>	912,842
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	<b>(356,308)</b>	(18,066)
Net realised gain on sale of investments	<b>266,922</b>	153,364
Unrealised appreciation in value of investments (net)	<b>986,200</b>	506,153
Other net income for the year	<b>421,946</b>	92,696
Total comprehensive income for the year	<b>1,675,068</b>	752,213
Less: Interim distribution for the period ended June 30, 2017 - cash dividend @ 10% (Re. 1.00 per unit) (June 30, 2016: @ 8.2% (Re. 0.82 per unit))	<b>(412,311)</b>	(235,503)
Total distribution	<b>(412,311)</b>	(235,503)
Net income for the year less distribution	<b>1,262,757</b>	516,710
Net assets at end of the year	<b>9,079,465</b>	5,418,397
	<b>(Rupees)</b>	
Net assets value per unit at beginning of the year	<b>17.99</b>	16.28
Net assets value per unit at end of the year	<b>21.14</b>	17.99

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Mazhar Sharif**  
Director

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2017

Note	2017 (Rupees in '000)	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	1,455,389	740,867
<b>Adjustments for:</b>		
Unrealised appreciation on re-measurement of investments at 'fair value through profit or loss' (net)	(766,521)	(494,807)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(356,308)	(18,066)
	<b>332,560</b>	<b>227,994</b>
<b>(Increase) / decrease in assets</b>		
Investments (net)	(2,184,792)	(1,210,831)
Receivable against investments (net)	-	30,896
Dividend receivable	(14,873)	(21,022)
Deposits, prepayments and other receivables	(9,411)	954
	<b>(2,209,076)</b>	<b>(1,200,003)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	20,683	(19,342)
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	348	232
Payable to Securities and Exchange Commission of Pakistan (SECP)	3,108	1,131
Payable to Meezan Bank Limited (MBL)	(82)	780
Accrued expenses and other liabilities	20,593	49,987
Payable against investments (net)	3,601	11,515
	<b>48,251</b>	<b>44,303</b>
<b>Net cash used in operating activities</b>	<b>(1,828,265)</b>	<b>(927,706)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance and conversion of units	5,438,899	3,425,167
Payment against redemption and conversion of units	(2,655,500)	(2,591,118)
Dividend paid	(374,934)	(253,481)
<b>Net cash generated from financing activities</b>	<b>2,408,465</b>	<b>580,568</b>
Net increase / (decrease) in cash and cash equivalents during the year	580,200	(347,138)
Cash and cash equivalents at beginning of the year	218,236	565,374
Cash and cash equivalents at end of the year	4	218,236

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

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



**Mohammad Shoaib, CFA**  
Chief Executive



**Mazhar Sharif**  
Director



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2017**

#### **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Al Meezan Mutual Fund (the Fund) was constituted by virtue of a scheme of arrangement for conversion of Al Meezan Mutual Fund Limited (AMMFL) into an Open End Scheme under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 17, 2011 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. The objective of the Fund is to provide the maximum total return to the unitholders from investment in "Shariah Compliant" equity investments for the given level of risk, while abiding by the regulations and any other prevailing rules and regulations. At least seventy percent of its net assets shall remain invested in listed equity securities during the year based on quarterly average investment calculated on daily basis. The remaining net assets shall be invested in cash and near cash instruments. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Units of the Fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an Equity Scheme.
- 1.4** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.5** Title of the assets of the Fund is held in the name of CDC as a Trustee of the Fund.

#### **2. BASIS OF PRESENTATION**

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

##### **2.1 Statement of compliance**

- 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 the basis of historical cost convention except that investments classified as 'at fair value through profit or loss' and 'available for sale' which are measured at 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 judgements**

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

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Impairment of financial instruments (note 3.1.6 and 5.2.2);
- c) Recognition of provision for Sindh Workers' Welfare Fund (SWWF) (note 11);
- d) Taxation (note 3.4 and 19); 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 payments or receipts 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 the 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 these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

#### **3.1 Financial instruments**

##### **3.1.1 Classification**

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

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

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

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

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

##### **(b) Loans and receivables**

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

##### **(c) Available for sale**

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



### 3.1.2 Regular way contracts

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

### 3.1.3 Recognition

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

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

### 3.1.4 Measurement

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

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

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

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

### 3.1.5 Fair value measurement principles and provisions

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

### 3.1.6 Impairment

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

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



### **3.1.7 Derecognition**

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

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

### **3.1.8 Offsetting of financial instruments**

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

### **3.2 Provisions**

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

### **3.3 Net assets value per unit**

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

### **3.4 Taxation**

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

#### *Current*

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

#### *Deferred*

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

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

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



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

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

### **3.5 Revenue recognition**

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

### **3.6 Expenses**

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

### **3.7 Earnings per unit**

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

### **3.8 Cash and cash equivalents**

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

### **3.9 Unitholders' Fund**

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

### **3.10 Issuance and redemption of units**

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

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

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

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

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

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

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

### 3.12 Distribution

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

4. BALANCES WITH BANKS	Note	2017	2016
(Rupees in '000)			
On saving accounts	4.1	<b>777,718</b>	206,244
On current accounts		<b>20,718</b>	11,992
		<b>798,436</b>	218,236

4.1 The balance in saving accounts have an expected profit ranging from 2.00% to 5.70% (2016: 2.50% to 6.20%) per annum.

5. INVESTMENTS	Note	2017	2016
(Rupees in '000)			
Investments 'at fair value through profit or loss'	5.1	<b>7,270,303</b>	4,316,510
Investment - 'available for sale'	5.2	<b>1,164,714</b>	947,515
		<b>8,435,017</b>	5,264,025



## 5.1 Ordinary shares - held for trading

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Sector / Companies</b>									
<b>Cement</b>									
Attock Cement Pakistan Limited	9,721	-	-	9,721	-	-	-	-	-
D.G. Khan Cement Company Limited	686,405	1,231,500	-	358,000	1,559,905	336,467	332,509	(3,958)	3.94
Fauji Cement Company Limited	5,256,000	150,000	-	1,760,000	3,646,000	130,884	149,595	18,711	1.77
Kohat Cement Company Limited	465,400	175,000	-	80,000	560,400	148,019	128,477	(19,542)	1.52
Cherat Cement Company Limited	1,515,940	125,000	-	55,000	1,585,940	195,715	283,534	87,819	3.36
Lucky Cement Company Limited	206,390	300,200	-	67,000	439,590	337,040	367,612	30,572	4.36
Maple Leaf Cement Company Limited	917,500	720,000	-	736,000	901,500	94,192	100,391	6,199	1.19
Bestway Cement Limited	386,000	-	-	386,000	-	-	-	-	-
Pioneer Cement Limited	1,098,500	760,800	-	100,000	1,759,300	208,775	228,709	19,934	2.71
Power Cement Limited	-	1,000,000	-	1,000,000	-	-	-	-	-
Dewan Cement Limited	-	3,043,000	-	3,043,000	-	-	-	-	-
									<b>18.85</b>
<b>Oil and gas exploration companies</b>									
Pakistan Oilfields Limited	367,751	281,200	-	42,000	606,951	256,940	278,075	21,135	3.30
Oil and Gas Development Company Limited	650,000	2,609,400	-	150,000	3,109,400	486,244	437,461	(48,783)	5.19
Pakistan Petroleum Limited	692,233	191,000	-	160,000	723,233	113,974	107,140	(6,834)	1.27
Mari Petroleum Company Limited	310,300	41,800	-	10,000	342,100	329,670	539,026	209,356	6.39
									<b>16.15</b>
<b>Oil and gas marketing companies</b>									
Attock Petroleum Limited	61,500	10,000	-	-	71,500	33,759	44,790	11,031	0.53
Pakistan State Oil Company Limited	411,920	25,000	-	43,000	393,920	148,412	152,585	4,173	1.81
Sui Southern Gas Company Limited	-	2,420,500	-	395,500	2,025,000	84,235	73,730	(10,505)	0.87
Hascol Petroleum Limited	183,860	80,000	-	174,400	89,460	29,586	30,515	929	0.36
Hi-Tech Lubricant Limited	-	325,000	-	100,000	225,000	26,024	24,527	(1,497)	0.29
Shell Pakistan Limited	-	2,000	-	-	2,000	1,200	1,151	(49)	0.01
Sui Northern Gas Pipeline Limited	-	4,301,500	-	1,460,000	2,841,500	247,159	423,156	175,997	5.02
									<b>8.89</b>
<b>Engineering</b>									
Crescent Steel and Allied Product Limited	441,100	234,200	-	501,100	174,200	39,648	41,559	1,911	0.49
Amreli Steels Limited	619,500	-	-	155,500	464,000	21,817	57,049	35,232	0.68
K.S.B. Pumps Company Limited	65,400	-	-	-	65,400	15,935	20,601	4,666	0.24
International Industries Limited	-	32,700	-	-	32,700	11,062	12,052	990	0.14
International Steel Limited	-	323,000	-	100,000	223,000	29,004	28,519	(485)	0.34
									<b>1.89</b>
<b>Automobile assembler</b>									
Indus Motor Company Limited	80,814	-	-	79,920	894	840	1,603	763	0.02
Honda Atlas Cars Pakistan Limited	237,500	171,500	-	112,200	296,800	139,265	257,530	118,265	3.05
Millat Tractors Limited	60,750	-	-	-	60,750	34,643	83,497	48,854	0.99
Pak Suzuki Motor Company Limited	2,989	-	-	2,989	-	-	-	-	<b>4.06</b>
<b>Automobile parts and accessories</b>									
Agriautos Industries Limited (note 5.1.1)	20	-	-	20	-	-	-	-	-
Thal Limited (note 5.1.1)	117,613	50,000	-	167,400	213	87	129	42	-
									-
<b>Technology and communication</b>									
Pakistan Telecommunication Company Limited "A" 19,670 100,000			-	19,670	100,000	1,737	1,561	(176)	<b>0.02</b>
<b>Chemicals</b>									
Sitara Chemical Industries Limited	107,000	-	-	50,000	57,000	20,748	25,343	4,595	0.30
ICI Pakistan Limited	50,022	69,100	-	-	119,122	77,657	130,385	52,728	1.55
Dynea Pakistan Limited (note 5.1.1)	1,000	-	-	-	1,000	46	101	55	-
Engro Polymer and Chemicals Limited	-	3,190,500	-	500,000	2,690,500	85,775	98,203	12,428	1.16
Ghani Gases Limited	264,500	-	-	264,500	-	-	-	-	-
									<b>3.01</b>
<b>Fertilizer</b>									
Fauji Fertilizer Company Limited	201	-	-	201	-	-	-	-	-
Engro Fertilizers Limited	4,282,000	1,350,000	-	400,000	5,232,000	340,129	289,016	(51,113)	3.43
Engro Corporation Limited	1,469,400	860,000	-	151,500	2,177,900	721,179	709,799	(11,380)	8.41
Dawood Hercules Corporation Limited	605,200	414,000	-	-	1,019,200	150,998	138,978	(12,020)	1.65
									<b>13.49</b>

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Paper and board</b>									
Packages Limited	282,700	27,150	-	-	309,850	202,734	215,525	12,791	2.56
Cherat Packaging Limited	108,900	20,000	-	-	128,900	44,201	30,650	(13,551)	0.36
									<b>2.92</b>
<b>Food and personal care products</b>									
Engro Foods Limited	124,000	798,000	-	815,100	106,900	15,371	12,987	(2,384)	0.15
Al-Shaheer Corporation Limited	741,200	130,000	66,030	706,000	231,230	11,064	9,275	(1,789)	0.11
									<b>0.26</b>
<b>Power Generation and Distribution</b>									
The Hub Power Company Limited	2,457,000	550,000	-	590,000	2,417,000	289,883	283,828	(6,055)	3.36
Kot Addu Power Company Limited	341,500	-	-	341,500	-	-	-	-	-
Kohinoor Energy Limited	104,500	-	-	104,500	-	-	-	-	-
Lalpir Power Limited	993,000	-	-	993,000	-	-	-	-	-
K-Electric Limited (note 5.1.1)	19,354,000	17,175,000	-	2,451,000	34,078,000	289,103	235,138	(53,965)	2.79
									<b>6.15</b>
<b>Cable and electrical goods</b>									
Pak Elektron Limited	1,516,000	2,340,000	-	1,257,500	2,598,500	208,860	286,667	77,807	3.40
<b>Pharmaceuticals</b>									
Abbott Laboratories Pakistan Limited	143,200	76,000	-	35,000	184,200	149,018	172,153	23,135	2.04
The Searle Company Limited	191,184	154,050	51,439	10,000	386,673	191,096	197,969	6,873	2.35
Ferozsons Laboratories Limited	49,400	63,000	-	111,750	650	587	253	(334)	-
Highnoon Laboratories Limited	39,392	-	3,481	10,380	32,493	16,722	20,349	3,627	0.24
GlaxoSmithKline Consumer Health Care Limited	-	300,000	-	15,000	285,000	-	-	-	-
Glaxo Smithkline Pakistan Limited	-	52,000	-	52,000	-	42,750	59,568	16,818	0.71
									<b>5.34</b>
<b>Textile composite</b>									
Kohinoor Textile Mills Limited	60,000	-	-	60,000	-	-	-	-	-
Nishat Mills Limited	12,300	1,260,000	-	833,000	439,300	69,087	69,709	622	0.83
									<b>0.83</b>
<b>Refinery</b>									
Attock Refinery Limited	181,800	170,000	-	155,200	196,600	72,523	75,215	2,692	0.89
<b>Miscellaneous</b>									
Shifa International Hospitals Limited	139,490	-	-	133,100	6,390	1,918	2,109	191	0.03
<b>Total</b>						<b>6,503,782</b>	<b>7,270,303</b>	<b>766,521</b>	

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

**5.1.2** 150,000 shares (2016: 150,000 shares) of Engro Corporation Limited, having market value of Rs. 48.89 million (2016: Rs 49.95 million) as at June 30, 2017, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

## 5.2 Available for sale - Shares of listed companies

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Commercial banks</b>									
BankIslami Pakistan Limited	875	-	-	-	875	5	12	7	-
<b>Cement</b>									
Lucky Cement Company Limited	465,027	-	-	-	465,027	162,848	388,883	226,035	4.61
D.G. Khan Cement Company Limited	3,500	-	-	-	3,500	289	746	457	0.01
									<b>4.62</b>
<b>Power generation and distribution</b>									
The Hub Power Company Limited	1,445,600	-	-	-	1,445,600	88,457	169,757	81,300	2.01
<b>Oil and gas exploration companies</b>									
Pakistan Oilfields Limited	31,340	-	-	-	31,340	8,043	14,358	6,315	0.17
<b>Oil and gas marketing companies</b>									
Attock Petroleum Limited	240	-	-	-	240	83	150	67	-
Pakistan State Oil Company Limited	371,147	-	-	-	371,147	101,125	143,764	42,639	1.70
									<b>1.70</b>



Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage in relation to Market Value of Total Investment
	----- (Number of shares) -----				----- (Rupees in '000) -----			----- % -----	
<b>Automobile assembler</b>									
Honda Atlas Cars Pakistan Limited	96,000	-	-	-	96,000	32,982	83,298	50,316	0.99
Indus Motor Company Limited	16,200	-	-	10,000	6,200	1,516	11,121	9,605	0.13
									<b>1.12</b>
<b>Fertilizer</b>									
Fauji Fertilizer Company Limited	457	-	-	457	-	-	-	-	-
<b>Chemical</b>									
ICI Pakistan Limited	91,557	-	-	-	91,557	34,618	100,214	65,596	<b>1.19</b>
<b>Paper and board</b>									
Packages Limited	362,878	-	-	-	362,878	186,266	252,411	66,145	<b>2.99</b>
<b>Total</b>						<b>616,232</b>	<b>1,164,714</b>	<b>548,482</b>	
<b>Total cost of investments - 'available for sale'</b>							<b>616,232</b>		

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

	2017	2016
	(Rupees in '000)	
Market value of investments	1,164,714	947,515
Less: Cost of investments	616,232	618,712
	548,482	328,803
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the year	328,803	317,457
	219,679	11,346

## 6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits	2,738	2,738
Profit receivable on saving accounts with banks	12,107	2,747
Prepaid listing fee	51	-
	14,896	5,485

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

Management fee	7.1	15,367	8,744
Sindh Sales Tax on management fee	7.2	1,998	1,224
Sales load		483	292
Sindh Sales Tax on sales load	7.2	63	41
Allocated expense	7.3	768	441
Selling and marketing expense payable	7.4	12,746	-
		31,425	10,742

**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 two percent of average annual net assets in case of Equity Scheme. The remuneration of the Management Company has been charged at the rate of two percent per annum for the year ended June 30, 2017 and June 30, 2016.

- 7.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from July 1, 2011. During the year, SST at the rate of 13 percent (June 30, 2016: 14 percent) was charged on the remuneration of Management Company and sales load (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.
- 7.4** Securities and Exchange Commission of Pakistan (SECP) vide a circular no.40 SCD/PRDD/ Circular/361/2016 dated December 30, 2016, allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from January 01, 2017 till December 31, 2019). Maximum cap of selling and marketing expenses shall be 0.4% per annum of net assets of fund or actual expenses whichever is lower. Accordingly, such expenses have been charged effective from February 27, 2017 at the rate of 0.4% of net assets of the Fund.

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

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

The remuneration of the Trustee for the year ended June 30, 2017 and 2016 has been calculated as per the following applicable tariff:

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

- 8.1** A notification (SRB-3-4/TP/01/2015/86554 dated June 13, 2015) was issued by Sindh Revenue Board (SRB), which introduced amendments in Sindh Sales Tax on Services Act, 2011. These amendments are applicable from July 01, 2015. As a result of these amendments, the Fund recognised sales tax on trustee fee at the rate of 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 an equity scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Scheme. Provided that for Collective Investment Schemes which on quarterly average basis have at least 1,000 retail investors and more than 50% of net assets are held by individual investors, provided that the maximum investment by a single retail investor (considered eligible for calculating the threshold of 1,000) does not exceed 1% of the net asset shall pay the annual fee at the rate 0.076% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.095% (June 30, 2016: 0.095%). The fee is payable to the SECP within three months of the close of the financial year.



**10. ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2017 (Rupees in '000)	2016
Auditors' remuneration		585	580
Withholding tax payable		24,420	19,635
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	10.2	35,988	35,988
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	10.2	3,458	3,458
Charity payable	10.1	4,598	3,285
Zakat payable		8	2
Printing charges payable		97	285
Brokerage payable		2,481	2,883
Shariah advisor fee payable		417	269
Provision for Workers' Welfare Fund payable (WWF)	11	-	34,828
Provision for Sindh Workers' Welfare Fund payable (SWWF)	11	50,068	-
Others		-	314
		<b>122,120</b>	<b>101,527</b>

**10.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 4.598 million (June 30, 2016: Rs 3.285 million) is outstanding in this regard. None of the directors of the Management Company were interested in any of donees.

As per the requirement of Clause 3.3.2 of Offering document, following is the list of charitable /welfare organizations to whom charity payments were made in excess of Rs. 200,000 during the year ended June 30, 2017.

- Pakistan Navy Educational Trust
- Cancer Care Hospital and Research Centre
- Shoakat Khanam Memorial Cancer Hospital
- Kiran Foundation

**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 for FED and Sindh Sales Tax on management fee and sales load with effect from June 13, 2013, till June 30, 2016, aggregating to Rs. 39.45 million (June 30, 2016: Rs. 39.45 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Re. 0.09 (June 30, 2016: Re. 0.13) per unit.



## **11. WORKERS' WELFARE FUND AND SINDH 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. 34.83 million. This has resulted in an increase in NAV per unit of Rs. 0.09 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. 51.93 million. This has resulted in a decrease in NAV per unit of Rs. 0.14 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. 50.07 million (June 30, 2016: nil). Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.11 (June 30, 2016: nil).

## **12. CONTINGENCIES AND COMMITMENTS**

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

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

In the current year, Al Shaheer Corporation Limited, Highnoon Laboratories Limited and The Searle Company Limited (June 30, 2016: Al Shaheer Corporation Limited, Highnoon Laboratories Limited, The Searle Company



Limited and Hascol Petroleum Limited) issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These have not been deposited with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order. Further, proceedings in respect of monitoring of withholding tax is in progress for Tax Year 2013. The Management is confident that the outcome of the proceedings will not result in any additional tax liability.

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

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

The Management Company had filed appeal before Commissioner Inland Revenue (Appeals – III) which was decided against the Management Company. Therefore, the Management Company has filed an appeal against the decision in the Appellate Tribunal Inland Revenue (ATIR) which was decided in favour of management company by ATIR on February 03, 2017.

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

### 13. NUMBER OF UNITS IN ISSUE

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

	<b>2017</b>	2016
	<b>(Number of units)</b>	
Total units in issue at beginning of the year	<b>301,149,646</b>	246,069,711
Units issued during the year	<b>249,770,956</b>	157,200,964
Units redeemed during the year	<b>(121,449,361)</b>	(102,121,029)
Total units in issue at end of the year	<b>429,471,241</b>	301,149,646

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

### 14. AUDITORS' REMUNERATION

	<b>2017</b>	2016
	<b>(Rupees in '000)</b>	
Statutory audit fee	<b>465</b>	465
Half yearly review	<b>110</b>	110
Other certifications	<b>120</b>	120
Out of pocket expenses	<b>76</b>	58
	<b>771</b>	753

### 15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited (Al Meezan) being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Management Company, Directors and Executives of the Management Company, Meezan Islamic Fund, KSE Meezan Index Fund, Meezan Balanced Fund, Meezan Asset Allocation 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 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, Al Meezan Investment Management Limited - Employees Gratuity Fund and unitholders holding 10 percent or more of the Fund's net assets.

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

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

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

	2017 (Rupees in '000)	2016
<b>AI Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	15,367	8,744
Sales load payable	483	292
Sindh Sales Tax on management fee payable	1,998	1,224
Sindh Sales Tax on sales load payable	63	41
Allocated expense payable	768	441
Selling and marketing expense payable	12,746	-
Investments of 49,744,595 units (June 30, 2016: 42,781,722 units)	1,051,601	769,643
<b>Meezan Bank Limited (MBL)</b>		
Balances with bank	51,108	31,882
Sales load payable	694	866
Sindh Sales Tax on sales load payable	90	-
Profit receivable on saving accounts	459	102
Investments of 23,363,301 units (June 30, 2016: 10,807,323 units)	493,900	194,424
<b>Meezan Financial Planning Fund of Funds - MCPP - II</b>		
Investments of nil units (June 30, 2016: 4,912,176 units)	-	88,370
<b>Meezan Financial Planning Fund of Funds - MAAP - I</b>		
Investments of 3,416,582 units (June 30, 2016: 3,263,441 units)	72,227	58,709
<b>Meezan Financial Planning Fund of Funds - MAAP - III</b>		
Investments of 18,794,560 units (June 30, 2016: 17,952,133 units)	397,317	322,959
<b>Meezan Financial Planning Fund of Funds - MAAP - IV</b>		
Investments of 3,941,239 units (June 30, 2016: nil)	83,318	-
<b>Meezan Strategic Allocation Plan - I</b>		
Investments of 13,489,277 units (June 30, 2016: nil)	285,163	-
<b>Meezan Strategic Allocation Plan - II</b>		
Investments of 26,045,712 units (June 30, 2016: nil)	550,606	-
<b>Meezan Strategic Allocation Plan - IV</b>		
Investments of 2,151,219 units (June 30, 2016: nil)	45,477	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	851	519
Sindh Sales tax on Trustee fee payable	110	94
Deposit	238	238
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investments of 16,895,690 units (June 30, 2016: 16,895,690 units)	357,175	303,953
<b>Directors and executives of the Management Company</b>		
Investments of 18,715,854 units (June 30, 2016 : 19,103,830 units)	395,653	343,678
<b>Unitholders holding 10% or more units of the Fund</b>	-	769,643



# Al Meezan Mutual Fund

**For the year ended June 30, 2017**  
**(Rupees in '000)**

**For the year ended June 30, 2016**

## **Al Meezan Investment Management Limited - Management Company**

Remuneration for the year  
Sindh Sales Tax and Federal Excise Duty on management fee for the year  
Units issued: 9,637,716 units (June 30, 2016: 20,709,179 units)  
Units redeemed: 2,674,843 units (June 30, 2016: 5,534,745 units)  
Dividend paid  
Allocated expenses  
Selling and marketing expense for the year

154,800	89,026
20,124	28,646
222,729	333,353
52,000	90,000
47,729	33,699
7,737	2,554
12,746	-

## **Meezan Bank Limited**

Profit on saving accounts with bank  
Dividend income  
Shares sold during the year: nil (June 30, 2016: 419 shares)  
Units issued: 12,555,978 units (June 30, 2016: 471,132 units)  
Dividend paid

694	447
-	1
-	18
262,316	8,476
22,316	8,476

## **Meezan Capital Preservation Fund - II**

Units issued: 5,186,722 units (June 30, 2016: 1,454,545 units)  
Units redeemed: 5,186,722 units (June 30, 2016: 1,454,545 units)

100,000	24,000
103,734	22,051

## **Meezan Financial Planning Fund of Funds**

Units issued: 2,991,027 units (June 30, 2016: 6,731,130 units) - MCPP II  
Units issued: 3,499,470 units (June 30, 2016: 6,325,870 units) - MCPP I  
Units issued: 153,141 units (June 30, 2016: 3,263,441 units) - MAAP - I  
Units issued: 3,941,239 units (June 30, 2016: nil) - MAAP - IV  
Units issued: 842,427 units (June 30, 2016: 17,952,133 units) - MAAP - III  
Units redeemed: 7,903,203 units (June 30, 2016: 1,818,953 units) - MCPP II  
Units redeemed: 3,499,470 units (June 30, 2016: 6,325,870 units) - MCPP I  
Dividend paid - MAAP III  
Dividend paid - MAAP I  
Dividend paid - MAAP IV

60,000	108,852
66,000	103,000
3,263	53,559
74,765	-
17,952	284,404
183,038	29,269
67,673	98,873
17,952	-
3,263	-
3,765	-

## **Meezan Strategic Allocation Fund - MSAP - I**

Units issued: 13,489,277 units (June 30, 2016: nil)  
Dividend paid

276,885	-
12,885	-

## **Meezan Strategic Allocation Fund - MSAP - II**

Units issued: 26,045,712 units (June 30, 2016: nil)  
Dividend paid

595,878	-
24,878	-

## **Meezan Strategic Allocation Fund - MSAP - IV**

Units issued: 2,151,219 units (June 30, 2016: nil)  
Dividend paid

47,055	-
2,055	-

## **Central Depository Company of Pakistan Limited - Trustee**

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

8,740	5,452
1,114	785
213	137

## **Directors and executives of the Management Company**

Units issued: 1,013,769 units (June 30, 2016: 1,349,228 units)  
Units redeemed: 1,430,834 units (June 30, 2016: 524,365 units)  
Dividend paid

23,870	24,922
31,386	8,817
17,981	-

## 16. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

### 16.1 Credit risk

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

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

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

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

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

	2017	2016
	(Rupees in '000)	
<b>Financial assets exposed to credit risk</b>		
Balances with banks	798,436	218,236
Receivable on issuance and conversion of units	17,373	55,252
Dividend receivable	40,481	25,608
Deposits and other receivables	14,845	5,485
	<u>871,135</u>	<u>304,581</u>



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)
AAA	PACRA/ JCR-VIS	<b>2,008</b>	0.25	42	0.02
AA+	PACRA/ JCR-VIS	<b>97,045</b>	12.07	46,952	21.51
AA	PACRA/ JCR-VIS	<b>51,118</b>	7.06	35,408	16.22
A+	PACRA/ JCR-VIS	<b>296,823</b>	36.92	2,240	1.03
A	PACRA/ JCR-VIS	<b>351,442</b>	43.70	133,594	61.22
		<b>798,436</b>	100.00	218,236	100.00

None of the financial assets were considered to be past due or impaired as on June 30, 2017.

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

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

## 16.2 Liquidity risk

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

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

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

In addition, SECP vide direction No. SCD/Direction/380/2017, dated January 13, 2017, directed the Asset Management Companies (AMCs) to arrange committed credit lines from banks / Development Finance Institutions equivalent to 15% of the net assets of the fund for redemption purposes which was subsequently decreased to 10% of the net assets of the fund vide direction No. SCD/Direction/447/2017, dated March 03, 2017. The Management Company on behalf of funds has arranged with banks where credit lines amounting to Rs. 950 million will be provided, if the need arises. The Management Company will review these credit lines against net assets of the Fund on quarterly basis.

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

In addition to Unitholders' fund, analysis of the 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)				
<b>Financial Liabilities:</b>					
Payable to Al Meezan - Management Company	31,425	-	-	-	31,425
Payable to CDC - Trustee	961	-	-	-	961
Payable to Meezan Bank Limited	784	-	-	-	784
Payable on redemption and conversion of units	6,830	-	-	-	6,830
Accrued expenses and other liabilities	47,624	-	-	-	47,624
Payable against investment (net)	15,116	-	-	-	15,116
Dividend payable	42,149	-	-	-	42,149
	<b>144,889</b>	-	-	-	<b>144,889</b>
	2016				Total
	Maturity upto			More than one year	Total
	Three months	Six months	One year		
	(Rupees in '000)				
<b>Financial Liabilities:</b>					
Payable to Al Meezan - Management Company	10,742	-	-	-	10,742
Payable to CDC - Trustee	613	-	-	-	613
Payable to Meezan Bank Limited	866	-	-	-	866
Payable on redemption and conversion of units	15,929	-	-	-	15,929
Accrued expenses and other liabilities	47,062	-	-	-	47,062
Payable against investment (net)	11,515	-	-	-	11,515
Dividend payable	4,772	-	-	-	4,772
	<b>91,499</b>	-	-	-	<b>91,499</b>

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

## 16.3 Market Risk

### 16.3.1 Price risk

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

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

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

The net assets of the Fund will increase / (decrease) by Rs. 84.35 million (2016: Rs. 52.64 million) if the prices of equity vary due to increase / (decrease) in KMI 30 Index by 1% with all other factors held constant.



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

### 16.3.2 Interest rate risk

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

#### Cash flow interest rate risk

The Fund's interest risk arises from the balances in saving accounts. 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. 7.78 million (June 30, 2016: Rs. 2.06 million) mainly as a result of finance income.

#### Fair value interest rate risk

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

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

Effective yield / interest rate	As at 30 June 2017			Total	
	Exposed to yield / interest rate risk				Not exposed to yield / interest rate risk
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	2.00% to 5.70%	777,718	-	20,718	798,436
Investments - ordinary shares		-	-	8,435,017	8,435,017
Receivable on issuance and conversion of units		-	-	17,373	17,373
Dividend receivable		-	-	40,481	40,481
Deposits and other receivables		-	-	14,845	14,845
		777,718	-	8,528,434	9,306,152
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	31,425	31,425
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	961	961
Payable to Meezan Bank Limited (MBL)		-	-	784	784
Payable on redemption and conversion of units		-	-	6,830	6,830
Accrued expenses and other liabilities		-	-	47,624	47,624
Payable against investments (net)		-	-	15,116	15,116
Dividend payable		-	-	42,149	42,149
		-	-	144,889	144,889
<b>On-balance sheet gap</b>		777,718	-	8,383,545	9,161,263
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		777,718	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		777,718	777,718	777,718	



	As at 30 June 2016					Total
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
<b>On-balance sheet financial instruments</b>	(Rupees in '000)					
<b>Financial assets</b>						
Balances with banks	2.50% to 6.10%	206,244	-	-	11,992	218,236
Investments - ordinary shares		-	-	-	5,264,025	5,264,025
Receivable on issuance and conversion of units		-	-	-	55,252	55,252
Dividend receivable		-	-	-	25,608	25,608
Deposits and other receivables		-	-	-	5,485	5,485
		206,244	-	-	5,362,362	5,568,606
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company		-	-	-	10,742	10,742
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	613	613
Payable to Meezan Bank Limited (MBL)		-	-	-	866	866
Payable on redemption and conversion of units		-	-	-	15,929	15,929
Accrued expenses and other liabilities		-	-	-	47,062	47,062
Payable against investments (net)		-	-	-	11,515	11,515
Dividend payable		-	-	-	4,772	4,772
		-	-	-	91,499	91,499
<b>On-balance sheet gap</b>		206,244	-	-	5,270,863	5,477,107
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		206,244	-	-		
<b>Cumulative interest rate sensitivity gap</b>		206,244	206,244	206,244		

### 16.3.3 Currency risk

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

## 17. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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



## 18. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the 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 is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

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

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

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

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

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

Note	Carrying amount				Fair value					
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total	
<b>June 30, 2017</b>										
----- (Rupees in '000) -----										
<b>Financial assets - measured at fair value</b>										
		8,435,017	-	-	-	8,435,017	8,435,017	-	-	8,435,017
<b>Financial assets - not measured at fair value</b>										
	Balances with banks	18.1	-	-	798,436	-	798,436			
	Receivable on issuance and conversion of units	18.1	-	17,373	-	-	17,373			
	Dividend receivable	18.1	-	40,481	-	-	40,481			
	Deposits and other receivables	18.1	-	14,845	-	-	14,845			
			8,435,017	72,699	798,436	-	9,306,152			
<b>Financial liabilities - not measured at fair value</b>										
	Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	18.1	-	-	-	31,425	31,425			
	Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	18.1	-	-	-	961	961			
	Payable to Meezan Bank Limited (MBL)	18.1	-	-	-	784	784			
	Payable on redemption and conversion of units	18.1	-	-	-	6,830	6,830			
	Accrued expenses and other liabilities	18.1	-	-	-	47,624	47,624			
	Payable against investments - net	18.1	-	-	-	15,116	15,116			
	Dividend payable	18.1	-	-	-	42,149	42,149			
			-	-	-	144,889	144,889			

June 30, 2016

Note	Carrying amount					Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total

(Rupees in '000)

**Financial assets - measured at fair value**

Investments 5,264,025 - - - 5,264,025 5,264,025 - - 5,264,025

**Financial assets - not measured at fair value**

Balances with banks	18.1	-	-	218,236	-	218,236			
Receivable against sale of investments (net)	18.1	-	-	-	-	-			
Receivable on issuance and conversion of units	18.1	-	55,252	-	-	55,252			
Dividend receivable	18.1	-	25,608	-	-	25,608			
Deposits and other receivables	18.1	-	5,485	-	-	5,485			
		5,264,025	86,345	218,236	-	5,568,606			

**Financial liabilities - not measured at fair value**

Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	18.1	-	-	-	10,742	10,742			
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	18.1	-	-	-	613	613			
Payable to Meezan Bank Limited (MBL)	18.1	-	-	-	866	866			
Payable on redemption and conversion of units	18.1	-	-	-	15,929	15,929			
Accrued expenses and other liabilities	18.1	-	-	-	47,062	47,062			
Payable against investments - net	18.1	-	-	-	11,515	11,515			
Dividend payable	18.1	-	-	-	4,772	4,772			
		-	-	-	91,499	91,499			

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

**19. TAXATION**

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

**20. PERFORMANCE TABLE**

	2017	2016	2015	2014	2013
Net assets (Rs. in '000) (ex-distribution)	<b>9,079,465</b>	5,418,397	4,006,911	2,847,050	2,190,127
Net assets value / redemption price per unit					
as at June 30 (Rs.) (ex-distribution)	<b>21.14</b>	17.99	16.28	13.90	12.59
Offer price per unit as at June 30 (Rs.) (ex-distribution)	<b>21.62</b>	18.47	16.71	14.31	12.96
Highest offer price per unit (Rs.)	<b>25.59</b>	19.57	17.82	16.54	17.30
Lowest offer price per unit (Rs.)	<b>18.90</b>	15.49	13.54	12.85	11.37
Highest redemption price per unit (Rs.)	<b>25.02</b>	19.07	17.36	16.07	17.21
Lowest redemption price per unit (Rs.)	<b>18.48</b>	15.09	13.16	12.48	11.08
Distribution (%)					
- Annual	-	-	-	-	35
- Interim	<b>10</b>	8.20	6.80	24	-
Dates of distribution	<b>Jun 23, 2017</b>	Jun 24, 2016	Jun 26, 2015	May 30, 2014	Jul 8, 2013
Income distribution (Rupees in '000)	<b>412,311</b>	235,503	142,033	59	10
Growth distribution (Rupees in '000)	-	-	-	418,364	476,441
Total return (%)	<b>23</b>	16	22	30	51
	<b>One year</b>	<b>Two years</b>	<b>Three years</b>	<b>Four years</b>	<b>Five years</b>
Average annual return (%) as at June 30, 2017	<b>23</b>	19.20	20.09	22.22	26.29



## Investment portfolio composition of the Fund

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

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

## 21. 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 year ended June 30, 2017 is 3.59% which include 1.02% representing government levy, Workers Welfare Fund and SECP fee, etc.

## 22. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad 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 / ACCA	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 / MBA	Six years

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

## 23. 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.

## 24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2017 Percentage
1 JS Global Capital Limited	9.46
2 BMA Capital Management Limited	8.96
3 Top Line Securities (Private) Limited	8.57
4 Arif Habib Securities Limited	8.47
5 Next Capital Limited	7.11
6 Taurus Securities Limited	7.06
7 Foundation Securities (Private) Limited	6.97
8 Aba Ali Habib Securities (Private) Limited	6.27
9 AKD Securities (Private) Limited	4.64
10 Fortune Securities Limited	4.00

Broker's Name	2016 Percentage
1 Arif Habib Securities Limited	11.86
2 JS Global Capital Limited	10.52
3 Shajar Capital Pakistan (Private) Limited	9.22
4 BMA Capital Management Limited	8.35
5 Top Line Securities (Private) Limited	7.56
6 Next Capital Limited	6.59
7 Optimus Capital Management (Private) Limited	6.50
8 Fortune Securities Limited	5.80
9 Foundation Securities (Private) Limited	4.74
10 Elixir Securities Pakistan (Private) Limited	4.17

## 25. PATTERN OF UNIT HOLDING

	As at June 30, 2017		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	3,844	3,167,518	35%
Associated companies / directors	10	2,868,508	32%
Insurance companies	1	186,974	2%
Banks / DFIs	2	862,852	10%
Retirement funds	32	1,052,438	11%
Public limited companies	1	234	0%
Others	39	940,941	10%
<b>Total</b>	<b>3,929</b>	<b>9,079,465</b>	<b>100%</b>

	As at June 30, 2016		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	3021	2,165,256	40%
Associated companies / directors	8	2,072,924	38%
Insurance companies	2	224,125	4%
Banks / DFIs	1	9,540	0%
Retirement funds	17	679,451	13%
Public limited companies	1	191	0%
Others	36	266,910	5%
<b>Total</b>	<b>3,086</b>	<b>5,418,397</b>	<b>100%</b>



**26. GENERAL**

**26.1 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 Al 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:

	<b>June 30, 2016</b>		
	<b>As previously reported</b>	<b>Impact</b>	<b>As stated</b>
	<b>(Rupees in '000)</b>		
<b>Effects on statement of assets and liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	50,502	(39,760)	10,742
Accrued expenses and other liabilities	61,767	39,760	101,527


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

**26.2** 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.

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Mazhar Sharif**  
Director

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

AS AT JUNE 30, 2017

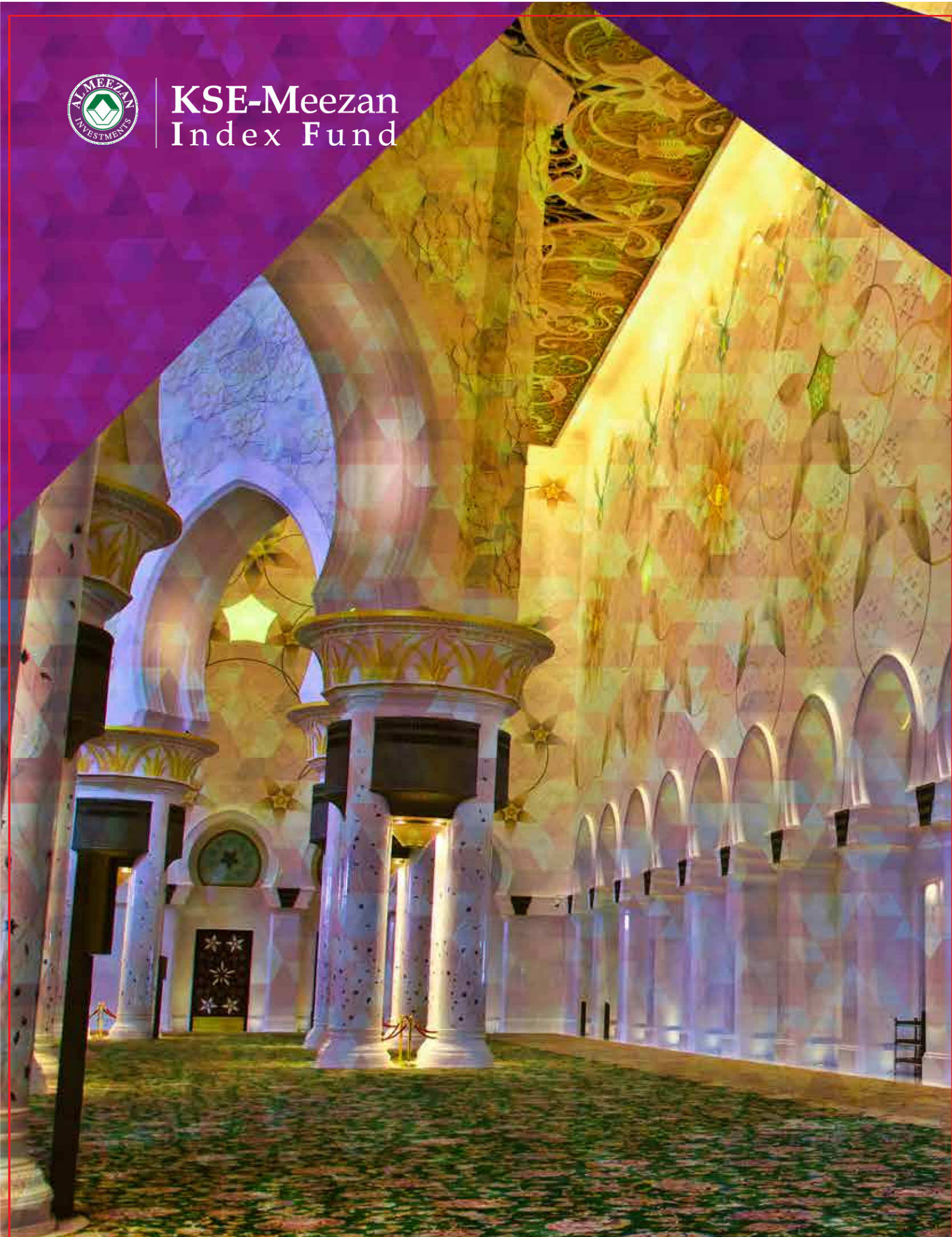
UNITS HELD BY	UNITS HELD	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	49,744,595	11.58
Meezan Bank Limited	23,363,301	5.44
Meezan Financial Planning Fund of Funds - MAAP - I	3,416,582	0.80
Meezan Financial Planning Fund of Funds - MAAP - III	18,794,560	4.38
Meezan Financial Planning Fund of Funds - MAAP - IV	3,941,239	0.92
Meezan Strategic Allocation Plan - I	13,489,277	3.14
Meezan Strategic Allocation Plan - II	26,045,712	6.06
Meezan Strategic Allocation Plan - IV	2,151,219	0.50
Pakistan Kuwait Investment Company (Private) Limited	16,895,690	3.93
<b>Directors</b>		
Mr. Ariful Islam	1,548,150	0.36
<b>Cheif Executive</b>		
Mr. Mohammad Shoaib, CFA	16,553,065	3.85
<b>Executives</b>	614,639	0.14
<b>Banks and financial institutions</b>	555,105	0.13
<b>Individuals</b>	149,213,333	34.76
<b>Retirements funds</b>	49,781,785	11.59
<b>Public limited companies</b>	11,046	0.00
<b>Others</b>	53,351,943	12.42
<b>Total</b>	<b>429,471,241</b>	<b>100.00</b>







# KSE-Meezan Index Fund





## **KSE-MEEZAN INDEX FUND (KMIF):**

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

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

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

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



## REPORT OF THE FUND MANAGER

FOR THE YEAR ENDED JUNE 30, 2017

### Type of Fund

Open end index tracker fund

### Objective

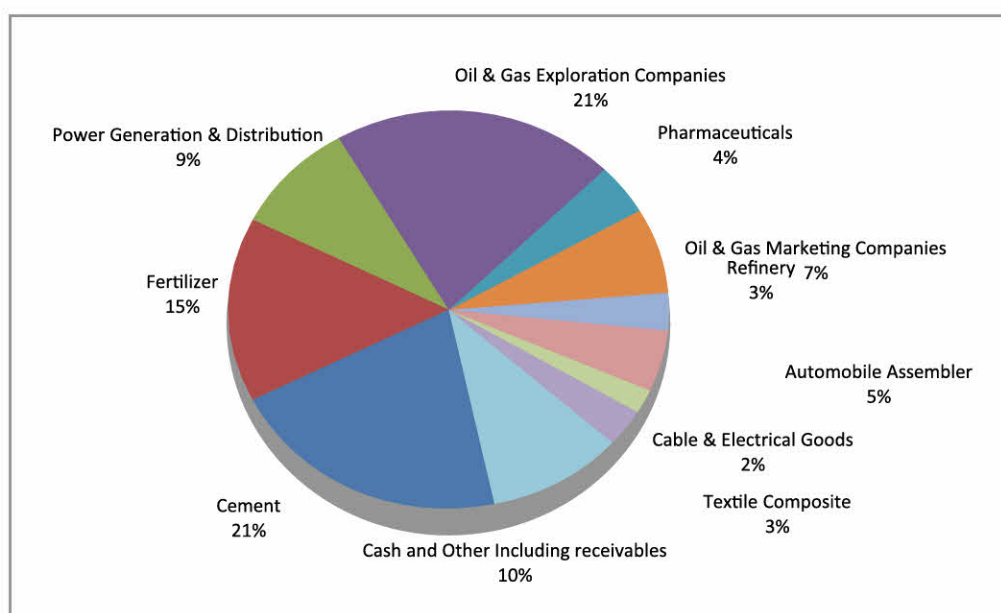
The objective of KMIF is to provide investors an opportunity to track the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the Index in proportion to their weightages.

### Strategy, Investment Policy and Asset Allocation

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

As on June 30, 2017, the asset allocation of the fund is as given below:

### Sector Allocation as on 30th June 2017

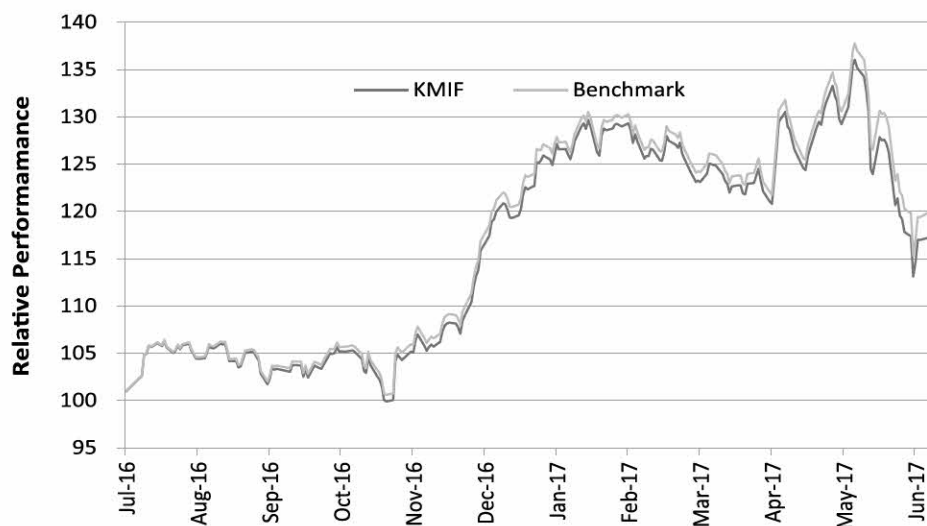


### Performance Review

During FY17, KSE Meezan Index Fund (KMIF) provided a return of 15.89% to its investors while KSE Meezan Index (KMI 30) returned 18.80% to close at 78,598 pts. On a gross basis, the fund's return was 18.67%, thus tracking 99.31% of the benchmark return with tracking error remaining within the stipulated limits.

KMIF posted a total income of Rs. 56 million in the fiscal year 2017 as compared to Rs. 118 million last year. Total income comprised of realized gain on investments of Rs. 36 million. Dividend income contributed Rs. 52 million, while profit on saving accounts with banks and income from reversal of WWF amounted to Rs. 0.57 million and Rs. 13 million respectively. Unrealized loss was Rs.50 million. After accounting for expenses of Rs. 33 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 264 million, the Fund posted a net income of Rs. 286 million. The net assets of the Fund as at June 30, 2017 were Rs. 1,909 million as compared to Rs. 882 million at the end of last year depicting a rise of 116.52%. The net asset value per unit as at June 30, 2017 was Rs. 79.56 as compared to Rs. 78.91 per unit as on June 30, 2016.

	<b>KMIF</b>	<b>KMI-30</b>
Net Asset Value (NAV) as on June 30, 2016	78.91	66,163
Net Asset Value (NAV) as on June 30, 2017	79.56	78,598
Return the Period ( <i>Dividend adjusted</i> )	<b>15.89%</b>	<b>18.80%</b>



#### 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. 0.84 million was accrued as charity payable.

#### Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2017 was Rs. 12.00 per unit (24%). Total distribution made by the fund was Rs. 271 million.

#### Breakdown of unit holdings by size:

(As on June 30, 2017)

<b>Range (Units)</b>	<b>No. of Investors</b>
1 - 9,999	584
10,000 - 49,999	88
50,000 - 99,999	9
100,000 - 499,999	8
500,000 and above	7
<b>Total</b>	<b>696</b>



**Meezan Bank**  
The Premier Islamic Bank

## Report of the *Shari'ah* Advisor –KSE Meezan Index 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 KMIF in light of *Shari'ah* requirements. Following is the list of the top investments of KMIF 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)
Lucky Cement	Cement	7.81%	15.66%	2.87%	67%	1.64	866
Engro Corporation Ltd	Fertilizer	23.5%	22.29%	0.73%	63%	(28.82)	
Oil & Gas Development Company***	Oil & Gas Exploration Companies	0.00%	25.07%	6.21%	39%	59.07	165.35
The Hub Power Co.	Power Generation & Distribution	29.47%	0.00%	0.18%	39%	(26.82)	
Pakistan Petroleum	Oil & Gas Exploration Companies	0.10%	26%	3.15%	49%	32.76	188.18

Page 1 of 2

**Meezan Bank Ltd.**

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



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
DGKC	Cement	11.90%	3.29%	4.76%	90%	(37.70)	
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0.00%	0.22%	1.42%	72.58	(42.59)	
Sui Northern Gas Company	Oil & Gas Marketing Companies	20.70%	0.00%	1.39%	58%	(231.74)	
Mari Petroleum	Oil & Gas Exploration Companies	5.85%	0.00%	0.17%	37.5%	(52.49)	

\* 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.

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

During the year a provision of Rupees 0.84 million was created and an amount of Rupees 1.10 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  
*Shariah* Advisor



# KSE-Meezan Index Fund

## 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](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



## TRUSTEE REPORT TO THE UNIT HOLDERS

### KSE MEEZAN INDEX FUND

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

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



## KSE-Meezan Index Fund

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

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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Al Meezan Investment Management Limited (“Management Company”) of the Fund for the year ended 30 June 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., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.



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

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## Independent Auditors' Report to the Unitholders

### *Report on the Financial Statements*

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

*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
<b>Assets</b>			
Balances with banks	4	10,585	12,896
Investments	5	1,916,081	881,793
Receivable against investments (net)		155,028	5,237
Receivable on issuance and conversion of units		845	1,533
Dividend receivable		6,944	2,630
Deposits and other receivables	6	2,855	2,677
Preliminary expenses and floatation costs	7	-	361
<b>Total assets</b>		<b>2,092,338</b>	<b>907,127</b>
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	8	2,176	955
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	286	160
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	1,092	832
Payable to Meezan Bank Limited (MBL)		47	265
Dividend payable		146,426	45
Payable on redemption and conversion of units		1,725	117
Accrued expenses and other liabilities	11	31,712	23,124
<b>Total liabilities</b>		<b>183,464</b>	<b>25,498</b>
<b>Net assets</b>		<b>1,908,874</b>	<b>881,629</b>
Contingencies and commitments	15		
Unitholders' fund (as per statement attached)		<b>1,908,874</b>	<b>881,629</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>	12	<b>23,992,784</b>	<b>11,172,537</b>
<b>(Rupees)</b>			
<b>Net assets value per unit</b>		<b>79.56</b>	<b>78.91</b>

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

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



**Mohammad Shoab, 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
<b>Income</b>			
Net realised gain / (loss) on sale of investments		36,058	(29,641)
Dividend income		52,378	53,797
Profit on saving accounts with banks		565	479
Reversal of provision for Workers' Welfare Fund (WWF)	16	12,897	-
Other income		3,733	586
		<b>105,631</b>	25,221
Unrealised (diminution) / appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	(49,847)	92,968
<b>Total income</b>		<b>55,784</b>	118,189
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited (Al Meezan)- Management Company"	8.1	11,490	8,759
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 11.2	1,494	2,823
Allocated expenses	8.3	1,149	440
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee "	9	2,112	1,733
Sindh Sales Tax on trustee fee	9.1	275	243
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	1,092	832
Auditors' remuneration	13	368	365
Brokerage expense		2,724	1,408
Charity expense		839	936
Bank and settlement charges		927	626
Amortisation of preliminary expenses and floatation costs	7	361	403
Legal and professional charges		103	133
Fees and subscription		693	414
Provision for Sindh Workers' Welfare Fund (SWWF)	16	9,270	-
Printing expenses		40	42
<b>Total expenses</b>		<b>32,937</b>	19,157
<b>Net income from operating activities</b>		<b>22,847</b>	99,032
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		263,646	6,099
<b>Net income for the year before taxation</b>		<b>286,493</b>	105,131
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<b>286,493</b>	105,131
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>286,493</b>	105,131

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



## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
Undistributed income brought forward			
- Realised		<b>326,799</b>	257,863
- Unrealised		<b>92,968</b>	110,537
		<b>419,767</b>	368,400
Final distribution for the year ended June 30, 2015			
- cash dividend: @ 3.70% i.e. Rs. 1.85 per unit		-	(29,160)
Interim distribution for the period ended June 30, 2017:			
cash dividend @ 24% i.e. Rs. 12 per unit (June 30, 2016 @ 4.70% i.e. Rs. 2.35 per unit)		<b>(270,893)</b>	(24,604)
		<b>(270,893)</b>	(53,764)
Net income for the year		<b>286,493</b>	105,131
Undistributed income carried forward		<b>435,367</b>	419,767
Undistributed income carried forward			
- Realised		<b>485,214</b>	326,799
- Unrealised	5.1	<b>(49,847)</b>	92,968
		<b>435,367</b>	419,767

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



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

Note	2017 (Rupees in '000)	2016
Net assets at beginning of the year	<b>881,629</b>	1,159,323
Issuance 16,134,539 of units (June 30, 2016: 3,835,623 units)	<b>1,585,356</b>	304,691
Redemption 3,314,292 of units (June 30, 2016: 8,425,030 units)	<b>(310,065)</b>	(627,653)
	<b>1,275,291</b>	(322,962)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	<b>(263,646)</b>	(6,099)
Net realised gain / (loss) on sale of investments	<b>36,058</b>	(29,641)
Unrealised (diminution) / appreciation on re-measurement of investments 'at fair value through profit or loss' (net)	<b>(49,847)</b>	92,968
Other net income for the year	<b>300,282</b>	41,804
Total comprehensive income for the year	<b>286,493</b>	105,131
Final distribution for the year ended June 30, 2015: cash dividend @ 3.70% i.e. Rs. 1.85 per unit		(29,160)
Interim distribution for the year ended June 30, 2017: cash dividend @ 24% i.e. Rs. 12 per unit (June 30, 2016 @ 4.70% i.e. Rs. 2.35 per unit)	<b>(270,893)</b>	(24,604)
Total distribution	<b>(270,893)</b>	(53,764)
Net income for the year less distribution	<b>15,600</b>	51,367
Net assets at end of the year	<b>1,908,874</b>	881,629
	<b>(Rupees)</b>	
Net assets value per unit at beginning of the year	<b>78.91</b>	73.55
Net assets value per unit at end of the year	<b>79.56</b>	78.91

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**



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

Note	2017 (Rupees in '000)	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	286,493	105,131
<b>Adjustments for:</b>		
Amortisation of preliminary expenses and floatation costs	361	403
Unrealised diminution / (appreciation) on re-measurement of investments 'at fair value through profit or loss' (net)	49,847	(92,968)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(263,646)	(6,099)
	<b>73,055</b>	<b>6,467</b>
<b>(Increase) / decrease in assets</b>		
Investments (net)	(1,084,135)	378,364
Receivable against investments (net)	(149,791)	58,057
Dividend receivable	(4,314)	2,219
Deposits and other receivables	(178)	(51)
	<b>(1,238,418)</b>	<b>438,589</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	1,221	(4,458)
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	126	(23)
Payable to Securities and Exchange Commission of Pakistan (SECP)	260	(360)
Payable to Meezan Bank Limited (MBL)	(218)	242
Accrued expenses and other liabilities	8,588	5,623
	<b>9,977</b>	<b>1,024</b>
<b>Net cash (used in) / generated from operating activities</b>	<b>(1,155,386)</b>	<b>446,080</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance and conversion of units	1,586,044	532,837
Payment against redemption and conversion of units	(308,457)	(923,363)
Dividend paid	(124,512)	(53,719)
Net cash generated from / (used in) financing activities	1,153,075	(444,245)
Net (decrease) / increase in cash and cash equivalents during the year	(2,311)	1,835
Cash and cash equivalents at beginning of the year	12,896	11,061
Cash and cash equivalents at end of the year	4	10,585

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** KSE Meezan Index Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on March 13, 2012 and was approved by Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund is a Shariah Compliant Index Fund that aims to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as a Shariah Compliant Index Fund.
- 1.4** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

### 2. BASIS OF PRESENTATION

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

#### 2.1 Statement of compliance

- 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 the basis of historical cost convention except for investments classified as 'at fair value through profit or loss' which is 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 judgements**

The preparation of the financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and 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) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7);
- c) Recognition of provision for Sindh Workers' Welfare Fund (note 16);
- 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 11)

## **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 the requirements of the 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 payments or receipts 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 the 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 the periods presented, unless otherwise stated.

#### **3.1 Financial instruments**

##### **3.1.1 Classification**

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

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

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

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

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

##### **(b) Loans and receivables**

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

##### **3.1.2 Recognition**

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

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

### **3.1.3 Measurement**

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

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

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

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

### **3.1.4 Fair value measurement principles**

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

### **3.1.5 Derecognition**

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

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

### **3.1.6 Regular way contract**

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

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

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

## **3.2 Unitholders' fund**

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

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

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



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

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

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

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

### **3.5 Provisions**

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

### **3.6 Preliminary expenses and floatation costs**

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

### **3.7 Net assets value per unit**

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

### **3.8 Taxation**

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

#### *Current*

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

#### *Deferred*

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



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

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

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

### 3.9 Revenue recognition

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

### 3.10 Expenses

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

### 3.11 Earnings per unit

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

### 3.12 Cash and cash equivalents

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

### 3.13 Distribution

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

## 4. BALANCES WITH BANKS

	Note	2017 (Rupees in '000)	2016
On current accounts		1,470	7,938
On saving accounts	4.1	9,115	4,958
		<b>10,585</b>	<b>12,896</b>

**4.1** The balance in saving accounts have an expected profit ranging from 2.00% to 2.40% per annum (2016: 2.50% to 3.59% per annum).



# KSE-Meezan Index Fund

## 5. INVESTMENTS

Note  
2017  
2016  
(Rupees in '000)

### Investments at 'fair value through profit or loss'

- Held for trading

Investment in ordinary shares - unlisted

5.1	1,916,081	880,846
	-	947
	1,916,081	881,793

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

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage of Total Market Value of Investment
	(Number of shares)				(Rupees in '000)				%
<b>Sectors / companies</b>									
<b>Automobile assembler</b>									
Honda Atlas Cars (Pakistan) Limited	30,700	37,567	-	17,600	50,667	33,093	43,963	10,870	2.29
Millat Tractors Limited	-	39,800	-	-	39,800	54,719	54,703	(16)	2.85
Pak Suzuki Motor Company Limited	23,500	26,302	-	49,802	-	-	-	-	-
Ghandhara Industries Limited	-	10,609	-	3,100	7,509	5,921	4,882	(1,039)	0.25
Ghandhara Nissan Limited	-	29,363	-	29,363	-	-	-	-	-
									<b>5.39</b>
<b>Cable and electrical goods</b>									
Pak Elektron Limited	214,875	401,228	-	173,100	443,003	41,842	48,872	7,030	2.55
<b>Cement</b>									
Cherat Cement Company Limited	123,627	153,874	-	89,400	188,101	30,660	33,629	2,969	1.76
D.G. Khan Cement Company Limited	259,900	514,200	-	345,900	428,200	93,179	91,275	(1,904)	4.76
Fauji Cement Company Limited	817,294	919,081	-	389,000	1,347,375	55,529	55,283	(246)	2.89
Lucky Cement Limited	139,390	156,340	-	66,000	229,730	179,333	192,114	12,781	10.03
Maple Leaf Cement Factory Limited	256,000	292,116	-	126,000	422,116	47,045	47,007	(38)	2.45
Pioneer Cement Limited	134,598	156,523	-	69,500	221,621	28,829	28,811	(18)	1.50
									<b>23.39</b>
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited	363,100	409,575	-	173,400	599,275	88,203	81,717	(6,486)	4.26
Engro Corporation Limited	282,300	354,719	-	125,100	511,919	181,306	166,840	(14,466)	8.71
Engro Fertilizers Limited	359,000	948,636	-	239,000	1,068,636	68,703	59,031	(9,672)	3.08
Fatima Fertilizer Company Limited	453,200	519,051	-	972,251	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	20	-	-	20	-	-	-	-	-
Fauji Fertilizer Company Limited	1	-	-	1	-	-	-	-	-
									<b>16.05</b>
<b>Food and personal care products</b>									
Engro Foods Limited	124,200	135,600	-	124,289	135,511	21,560	16,463	(5,097)	0.86
Treet Corporation Limited	66,200	10,000	-	76,200	-	-	-	-	-
									<b>0.86</b>
<b>Oil and gas exploration companies</b>									
Mari Petroleum Company Limited	23,794	26,557	-	11,200	39,151	50,899	61,688	10,789	3.22
Pakistan Oilfields Limited	116,664	132,153	-	56,500	192,317	84,769	88,110	3,341	4.60
Pakistan Petroleum Limited (note 5.1.2)	518,978	588,348	-	251,900	855,426	142,146	126,723	(15,423)	6.61
Oil and Gas Development Company Limited	-	1,395,618	-	249,400	1,146,218	197,284	161,261	(36,023)	14.43
<b>Oil and gas marketing companies</b>									
Hascol Petroleum Limited (note 15)	45,640	95,378	-	33,700	107,318	33,779	36,606	2,827	1.91
Hi - Tech Lubricant Limited	-	55,600	-	-	55,600	6,206	6,061	(145)	0.32
Shell Pakistan Limited	22	-	-	22	-	-	-	-	-
Sui Northern Gas Pipeline Limited	206,000	380,633	-	79,200	507,433	58,448	75,567	17,119	3.94
Sui Southern Gas Company Limited	284,500	405,731	-	113,000	577,231	20,931	21,017	86	1.10
									<b>7.27</b>
<b>Paper and board</b>									
Packages Limited	-	72,762	-	17,100	55,662	45,920	38,717	(7,203)	2.02
<b>Pharmaceuticals</b>									
GlaxoSmithKline Pakistan Limited	55,032	74,202	-	37,700	91,534	19,935	18,025	(1,910)	0.94
GlaxoSmithKline Consumer Healthcare Limited (note 5.1.3)	15,279	-	-	15,279	-	-	-	-	-
The Searle Company Limited (note 15)	46,306	92,745	13,312	42,800	109,563	59,189	56,094	(3,095)	2.93
									<b>3.87</b>
<b>Power generation and distribution</b>									
K-Electric Limited (note 5.1.1)	2,974,653	3,571,387	-	1,640,000	4,906,040	38,879	33,852	(5,027)	1.77
Kot Addu Power Company Limited	475,000	54,000	-	529,000	-	-	-	-	-
The Hub Power Company Limited	810,762	917,070	-	391,700	1,336,132	168,116	156,902	(11,214)	8.19
									<b>9.96</b>

Name of the investee company	As at July 01, 2016	Purchases during the year	Bonus / 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 / (loss) as at June 30, 2017	Percentage of Total Market Value of Investment
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- % -----
<b>Refinery</b>									
Attock Refinery Limited	36,785	46,048	-	22,400	60,433	22,593	23,120	527	1.21
Byco Petroleum Pakistan Limited	209,500	28,000	-	237,500	-	-	-	-	-
National Refinery Limited	-	56,198	-	10,300	45,898	32,129	33,321	1,192	1.74
									<b>2.95</b>
<b>Technology and communication</b>									
Pakistan Telecommunication Company Limited "A"	635,323	717,029	-	1,352,352	-	-	-	-	-
<b>Textile composite</b>									
Nishat Mills Limited	189,600	363,400	-	210,000	343,000	54,783	54,427	(356)	<b>2.84</b>
<b>Total</b>						<b>1,965,928</b>	<b>1,916,081</b>	<b>(49,847)</b>	

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

**5.1.2** 682,000 shares of Pakistan Petroleum Limited (2016: 417,000 shares), having market value of Rs. 101.031 million as at June 30, 2017 (2016: Rs. 64.656 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

**5.1.3** In 2016, GlaxoSmithKline Pakistan Limited (GSK) announced a de-merger scheme whereby 3 ordinary shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited (GSK CHC) were issued for every 10 ordinary shares held in GSK. The net assets of consumer health business on the said date were Rs. 956 million i.e. 7.67% and hence, the carrying cost was allocated by applying the aforementioned percentage among GSK and GSK CHC and market price has been adjusted accordingly. In the current year, GSK CHC obtained listing on the stock exchange and is classified as "Held for trading - shares of listed companies".

## 6. DEPOSITS AND OTHER RECEIVABLES

	Note	2017 (Rupees in '000)	2016
Profit receivable on saving accounts with banks		249	75
Security deposits		2,606	2,602
		<b>2,855</b>	<b>2,677</b>

## 7. PRELIMINARY EXPENSES AND FLOATATION COSTS

	Note	2017	2016
Preliminary expenses and floatation costs	7.1	361	764
Less: Amortisation during the year		361	403
		-	361

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

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

	Note	2017 (Rupees in '000)	2016
Management fee	8.1	1,715	700
Sindh Sales Tax on management fee	8.2	223	98
Sales load payable		58	76
Sindh Sales Tax on sales load	8.2	8	11
Allocated expenses	8.3	172	70
		<b>2,176</b>	<b>955</b>



- 8.1** As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 3 percent of average annual net assets in case of Equity Scheme. The remuneration of the Management Company has been charged at the rate of 1 percent per annum for the year ended June 30, 2017.
- 8.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from July 1, 2011. During the year, SST at the rate of 13 percent (till June 30, 2016: 14 percent) was charged on the remuneration of Management Company and sales load (refer note 11.2 for Sindh Sales Tax applied on Federal Excise Duty).
- 8.3** 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.
- 8.4** Securities and Exchange Commission of Pakistan (SECP) vide a circular no.40 SCD/PRDD/ Circular/361/2016 dated December 30, 2016, allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from January 01, 2017 till December 31, 2019). Maximum cap of selling and marketing expenses shall be 0.4% per annum of net assets of fund or actual expenses whichever is lower. However, such expenses have not been charged by the Fund.

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

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

The remuneration of the trustee has been calculated as per the following applicable tariff:

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

- 9.1** A notification (SRB-3-4/TP/01/2015/86554, dated June 13, 2015) was issued by Sindh Revenue Board (SRB), which introduced amendments in Sindh Sales Tax on Services Act, 2011. These amendments are applicable from July 01, 2015. As a result of these amendments, the fund recognised sales tax on trustee fee at the rate of 13 percent (June 30, 2016: 14 percent) in the current year.

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

Under the provisions of the amended Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an equity scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Scheme. Provided that for Collective Investment Schemes which on quarterly average basis have at least 1,000 retail investors and more than 50% of net assets are held by individual investors, provided that the maximum investment by a single retail investor (considered eligible for calculating the threshold of 1,000) does not exceed 1% of the Net Asset shall pay the annual fee at the rate 0.076% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.095% (June 30, 2016: 0.095%). The fee is payable to the SECP within three months of the close of the financial year.

#### 11. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2017 (Rupees in '000)	2016
Provision for Sindh Workers' Welfare Fund (SWWF)	16	9,270	-
Provision for Workers' Welfare Fund (WWF)	16	-	12,897
Charity payable	11.1	1,339	1,600
Brokerage payable		2,797	921
Auditors' remuneration		226	225
Printing expenses payable		93	68
Rating fee payable		300	200
Withholding tax payable		11,567	1,114
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	11.2	5,404	5,404
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.2	429	429
Zakat payable		21	-
Shariah advisory fee payable		266	266
		<b>31,712</b>	<b>23,124</b>

**11.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 1.339 million (June 30, 2016: 1.600 million) is outstanding in this regard. None of the directors of the Management Company were interested in any of donees.

**11.2** 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 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. 5.83 million (June 30, 2016: Rs. 5.83 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Re. 0.24 (June 30, 2016: Re. 0.52) per unit.



# KSE-Meezan Index Fund

## 12. NUMBER OF UNITS IN ISSUE

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

	2017 (Number of units)	2016
Total units in issue at beginning of the year	11,172,537	15,761,944
Units issued during the year	16,134,539	3,835,623
Units redeemed during the year	(3,314,292)	(8,425,030)
Total units in issue at end of the year	<u>23,992,784</u>	<u>11,172,537</u>

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

## 13. AUDITORS' REMUNERATION

	2017 (Rupees in '000)	2016
Statutory audit fee	125	125
Half yearly review	100	100
Other certifications and services	100	100
Out of pocket expenses	43	40
	<u>368</u>	<u>365</u>

## 14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AI Meezan Investment Management Limited (AI Meezan) being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Management Company, Directors and Executives of the Management Company, Meezan Islamic Fund, AI Meezan Mutual Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Financial Planning Fund of Funds, Meezan Balanced Fund, Meezan Capital Preservation Fund - II, Meezan Capital Preservation Fund - III, 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, AI Meezan Investment Management Limited - Employees Gratuity Fund and unitholders holding 10 percent or more of the Fund's net assets.

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

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

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

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

	2017 (Rupees in '000)	2016
Remuneration payable	1,715	700
Sindh Sales Tax on management fee payable	223	98
Sales load payable	58	76
Sindh Sales Tax on sales load payable	8	11
Allocated expenses payable	172	70
Investment as at June 30, 2017: 3,932,212 units June 30, 2016: 3,529,375 units)	<u>312,847</u>	<u>278,503</u>

**Meezan Bank Limited**

Sales load payable  
 Sindh Sales Tax on sales load payable  
 Bank balance  
 Profit receivable on saving accounts  
 Investment as at June 30, 2017: 2,113,224 units  
 (June 30, 2016: 2,113,224 units)

**Central Depository Company of Pakistan Limited (CDC) - Trustee**

Trustee fee payable  
 Sindh Sales Tax on trustee fee payable  
 Deposit

**Meezan Financial Planning Fund of Funds - MAAP I**

Investments as at June 30, 2017: 348,329 (June 30, 2016: nil)

**Directors and executives of the Management Company**

Investment as at June 30, 2017: 384,376 units  
 (June 30, 2016: 432,596 units)

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

42	265
5	-
4,178	4,299
-	-
168,128	166,754
233	140
53	20
103	103
27,713	-
30,581	34,136

**For the year ended**  
**June 30,**

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

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

Remuneration for the year  
 Sindh Sales Tax and Federal Excise Duty on management fee  
 for the year  
 Allocated expenses  
 Units issued: 466,219 units (2016: 1,540,018 units)  
 Unit redeemed: 63,382 (2016: nil)  
 Cash dividend paid

**Meezan Bank Limited**

Profit on saving account  
 Cash dividend paid

**Central Depository Company of Pakistan Limited (CDC)  
- Trustee**

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

**Meezan Capital Preservation Fund - III**

Units issued: nil (2016: 119,682 units)  
 Units redeemed: nil (2016: 4,758,155 units)  
 Cash dividend paid

11,490	8,759
1,494	2,823
1,149	440
41,592	110,277
5,000	-
41,592	10,276
98	57
25,359	8,875
2,112	1,733
275	243
90	84
-	8,581
-	329,438
-	8,581



# KSE-Meezan Index Fund

For the year ended  
June 30,

2017      2016  
(Rupees in '000)

## Meezan Capital Preservation Fund - II

Units issued: nil (2016: 44,749 units)  
Units redeemed: nil (2016: 1,779,055 units)  
Cash dividend paid

-	3,208
-	134,364
-	3,208

## Meezan Financial Planning Fund of Funds - MAAP I

Units issued: 348,329 units (2016: nil)  
Transaction cost received  
Cash dividend paid

33,636	-
75	-
3,636	-

## Directors and Executives of the Management Company

Units issued: 61,094 units (2016: 39,474 units)  
Units redeemed: 109,314 units (2016: 18,670 units)  
Cash dividend paid

5,559	3,295
10,154	1,438
4,066	1,795

## 15. CONTINGENCIES AND COMMITMENTS

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

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

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

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

## 16. 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. 12.897 million. This has resulted in an increase in NAV per unit of Rs. 1.10 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. 8.55 million. This has resulted in a decrease in NAV per unit of Rs. 0.73 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. 9.27 million. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.39 (June 30, 2016: nil).

## **17. FINANCIAL RISK MANAGEMENT**

### **Financial risk management objectives and policies:**

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

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

Risks managed and measured by the Fund are explained below:

### **17.1 Credit risk**

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

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



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

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

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

### Financial assets exposed to credit risk

	2017 (Rupees in '000)	2016
Balances with banks	10,585	12,896
Receivable against investments (net)	155,028	5,237
Receivable on issuance and conversion of units	845	1,533
Dividend receivable	6,944	2,630
Deposits and other receivables	2,855	2,677
	<b>176,257</b>	<b>24,973</b>

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

	Rating agency	2017		2016	
		(Rs. in '000)	(Percentage)	(Rs. in '000)	(Percentage)
AAA	PACRA	11	0.10	9	0.07
AA+	PACRA	7,417	70.08	8,394	65.09
AA	JCR - VIS	3,140	29.66	4,484	34.77
A+	JCR - VIS	17	0.16	9	0.07
		<b>10,585</b>	<b>100.00</b>	<b>12,896</b>	<b>100.00</b>

None of the financial assets were considered to be past due or impaired as on June 30, 2017.

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

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

## 17.2 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder's redemptions at any time. The Fund manages the liquidity risk by maintaining maturities of financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets. The Fund's investments are considered to be readily

realisable as they are all listed on stock exchanges of the country. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

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

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

In addition to unitholder 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 Al Meezan Investment Management Limited (Al Meezan) - Management Company	2,176	-	-	-	2,176
Payable to Central Depository of Pakistan limited (CDC) - Trustee	286	-	-	-	286
Payable to Meezan Bank Limited (MBL)	47	-	-	-	47
Payable on redemption and conversion of units	1,725	-	-	-	1,725
Accrued expenses and other liabilities	10,854	-	-	-	10,854
Dividend payable	146,426	-	-	-	146,426
	<b>161,514</b>	-	-	-	<b>161,514</b>
	2016				
	Maturity upto			More than one year	Total
	Three months	Six months	One year		
	(Rupees in '000)				
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	955	-	-	-	955
Payable to Central Depository of Pakistan limited (CDC) - Trustee	160	-	-	-	160
Payable to Meezan Bank Limited (MBL)	265	-	-	-	265
Payable on redemption and conversion of units	117	-	-	-	117
Accrued expenses and other liabilities	9,113	-	-	-	9,113
Dividend payable	45	-	-	-	45
	<b>10,655</b>	-	-	-	<b>10,655</b>

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



## 17.3 Market risk

### 17.3.1 Price risk

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

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

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

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

The net assets of the Fund will increase / decrease by Rs 19.161 million (2016: 8.818 million) if the prices of equity vary due to increase / decrease in KMI 30 Index by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. The Fund manager manages the Fund's investment strategy by investing in companies of the index in proportion to their weightages. The Fund manager monitors the performance of the Fund and the benchmark index on a continuous basis. Upon rebalancing of the index, the Fund manager may also rebalance the portfolio within 30 days with the objective to minimize, before expenses, the tracking error of the Fund. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2017 and the historical correlation of the securities comprising the portfolio to the KMI.

### 17.3.2 Interest rate risk

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

#### *Cash flow interest rate risk*

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

During the year ended June 30, 2017, the net income would have increased / (decreased) by Rs. 0.091 million (2016: Rs. 0.049 million) had the interest rates on profit and loss saving accounts increased / (decreased) by 100 basis points.

#### *Fair value interest rate risk*

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

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

As at 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)					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	2.00% to 2.40%	9,115	-	1,470	10,585
Investments	-	-	-	1,916,081	1,916,081
Receivable against investments (net)	-	-	-	155,028	155,028
Receivable on issuance and conversion of units	-	-	-	845	845
Dividend receivable	-	-	-	6,944	6,944
Deposits and other receivables	-	-	-	2,855	2,855
		9,115	-	2,083,223	2,092,338
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	-	-	-	2,176	2,176
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	-	-	-	286	286
Payable to Meezan Bank Limited (MBL)	-	-	-	47	47
Payable on redemption and conversion of units	-	-	-	1,725	1,725
Accrued expenses and other liabilities	-	-	-	10,854	10,854
Dividend payable	-	-	-	146,426	146,426
		-	-	161,514	161,514
<b>On-balance sheet gap</b>		9,115	-	1,921,709	1,930,824
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		9,115	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		9,115	9,115	9,115	
As at June 30, 2016					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	2.50% to 3.59%	4,958	-	7,938	12,896
Investments	-	-	-	881,793	881,793
Receivable against investments (net)	-	-	-	5,237	5,237
Receivable on issuance and conversion of units	-	-	-	1,533	1,533
Dividend receivable	-	-	-	2,630	2,630
Deposits and other receivables	-	-	-	2,677	2,677
		4,958	-	901,808	906,766
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	-	-	-	955	955
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	-	-	-	160	160
Payable to Meezan Bank Limited (MBL)	-	-	-	265	265
Payable on redemption and conversion of units	-	-	-	117	117
Accrued expenses and other liabilities	-	-	-	9,113	9,113
Dividend payable	-	-	-	45	45
		-	-	10,655	10,655
<b>On-balance sheet gap</b>		4,958	-	891,153	896,111
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		4,958	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		4,958	4,958	4,958	



### 17.3.3 Currency risk

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

### 18. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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

### 19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Note	Carrying amount					Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total
<b>June 30, 2017</b>									
<b>Financial assets - measured at fair value</b>									
Investments - Held for trading	1,916,081	-	-	-	1,916,081	1,916,081	-	-	1,916,081
<b>Financial assets - not measured at fair value</b>									
Balances with banks	19.1	-	10,585	-	10,585				
Receivable against investments (net)	19.1	155,028	-	-	155,028				
Receivable on issuance and conversion of units	19.1	845	-	-	845				
Dividend receivable	19.1	6,944	-	-	6,944				
Deposits and other receivables	19.1	2,855	-	-	2,855				
		<b>1,916,081</b>	<b>165,672</b>	<b>10,585</b>	<b>-</b>	<b>2,092,338</b>			
<b>Financial liabilities - not measured at fair value</b>									
Payable to Al Meezan Investment Management Limited-Management Company	19.1	-	-	2,176	2,176				
Payable to Central Depository Company of Pakistan Limited-Trustee	19.1	-	-	286	286				
Payable to Meezan Bank Limited	19.1	-	-	47	47				
Payable on redemption and conversion of units	19.1	-	-	1,725	1,725				
Accrued expenses and other liabilities	19.1	-	-	10,854	10,854				
Dividend payable	19.1	-	-	146,426	146,426				
		-	-	<b>161,514</b>	<b>161,514</b>				

Note	Carrying amount					Fair value			
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total
<b>June 30, 2017</b>									
<b>Financial assets - measured at fair value</b>									
Investments - Held for trading	19.1	880,846	-	-	880,846	880,846	-	-	880,846
<b>Financial assets - not measured at fair value</b>									
Balances with banks	19.1	-	12,896	-	12,896				
Investments - unlisted	19.1	947	-	-	947				
Receivable against investments - (net)	19.1	5,237	-	-	5,237				
Receivable on issuance and conversion of units	19.1	1,533	-	-	1,533				
Dividend receivable	19.1	2,630	-	-	2,630				
Deposits and other receivables	19.1	2,677	-	-	2,677				
		<b>881,793</b>	<b>12,077</b>	<b>12,896</b>	<b>-</b>	<b>906,766</b>			
<b>Financial liabilities - not measured at fair value</b>									
Payable to Al Meezan Investment Management Limited-Management Company	19.1	-	-	955	955				
Payable to Central Depository Company of Pakistan Limited-Trustee	19.1	-	-	160	160				
Payable to Meezan Bank Limited	19.1	-	-	265	265				
Payable on redemption and conversion of units	19.1	-	-	117	117				
Accrued expenses and other liabilities	19.1	-	-	9,113	9,113				
Dividend payable	19.1	-	-	45	45				
		-	-	<b>10,655</b>	<b>10,655</b>				

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



## 20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that for the purpose of determining distribution of at least 90 percent of accounting income, the income distributed through bonus units shall not be taken into accounts. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of the net accounting income other than capital gains to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current year as the Management Company has distributed sufficient income of the Fund for the year ended June 30, 2017, as reduced by capital gains (whether realised or unrealised) to its unitholders.

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

## 21. PERFORMANCE TABLE

	2017	2016	2015	2014	2013
Net assets (Rs in '000) (ex-distribution)*	<b>1,908,874</b>	881,629	1,159,323	1,176,027	901,404
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)*	<b>79.56</b>	78.91	71.7	62.83	57.56
Offer price per unit as at June 30 (Rs.) (ex-distribution)*	<b>81.36</b>	81.00	73.79	64.68	59.27
Highest offer price per unit (Rs.)	<b>109.77</b>	85.05	77.64	79.69	79.42
Lowest offer price per unit (Rs.)	<b>80.6</b>	65.44	61.18	59.09	52.15
Highest redemption price per unit (Rs.)	<b>107.34</b>	82.86	75.44	77.41	77.12
Lowest redemption price per unit (Rs.)	<b>78.82</b>	63.75	59.45	57.40	50.64
Distribution (%)	<b>24</b>	4.70	3.70	19.60	31.00
Date of distribution	<b>June 23, 2017</b>	June 24, 2016	July 3, 2015	May 30, 2014	July 8, 2013
Growth distribution (Rupees in '000)	<b>270,893</b>	24,604	-	123,028	191,234
Total return (%)	<b>16.03</b>	13.00	17.10	26.50	49.62
	<b>One Year</b>	Two Year	Three Year	Four Year	Five Year
Average annual return (%) as at June 30, 2017	<b>16.03</b>	14.50	15.36	18.05	23.78

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

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

## 22. 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 year ended June 30, 2017 is 2.78% which include 1.02 % representing government levy, Worker Welfare Fund and SECP fee.



## 23. INVESTMENT COMMITTEE MEMBERS

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

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

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

- Meezan Balanced Fund
- Meezan Tahaffuz Pension Fund

## 24. 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.

## 25. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2017 Percentage
1 Taurus Securities Limited	11.45
2 Elixir Securities Pakistan (Private) Limited	10.24
3 BIPL Securities Limited (formerly KASB Securities Limited)	8.79
4 Optimus Capital Management Limited	8.29
5 Alfalah Securities (Private) Limited	7.36
6 Aba Ali Habib Securities (Private) Limited	7.34
7 Invest & Finance Securities Limited	6.61
8 AKD Securities Limited	6.54
9 NEXT Capital Limited	6.10
10 Arif Habib Securities Limited	6.05



# KSE-Meezan Index Fund

Broker's Name	2016 Percentage
1 BMA Capital Management Limited	10.45
2 Aba Ali Habib Securities (Private) Limited	9.70
3 Elixir Securities Pakistan (Private) Limited	8.48
4 Optimus Capital Management (Private) Limited	7.47
5 Foundation Securities (Private) Limited	7.30
6 Ample Securities (Private) Limited	6.94
7 Topline Securities (Private) Limited	6.03
8 Fortune Securities (Private) Limited	6.03
9 Global Securities Pakistan Limited	5.89
10 Invest & Finance Securities Limited	5.34

## 26. PATTERN OF UNIT HOLDING

	2017		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	672	326,737	17.12
Associated companies / directors	3	369,730	19.37
Retirement funds	12	106,118	5.56
Private limited companies	9	1,106,289	57.95
	<b>696</b>	<b>1,908,874</b>	<b>100.00</b>

	2016		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	392	274,729	31.16
Associated companies / directors	3	479,190	54.35
Retirement funds	5	59,822	6.79
Private limited companies	4	67,888	7.70
	<b>404</b>	<b>881,629</b>	<b>100.00</b>

## 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:

Effects on statement of assets and liabilities	June 30, 2016		
	As previously reported	Impact (Rupees in '000)	As stated
<i>Liabilities</i>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	6,773	(5,818)	955
Accrued expenses and other liabilities	17,306	5,818	23,124

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(l)/2017, dated August 03, 2017, changed the definition of accounting income in regulation (63) sub-regulation (l), 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 Al Meezan Investment Management Limited  
(Management Company)**



**Mohammad Shoaib, CFA  
Chief Executive**



**Mazhar Sharif  
Director**



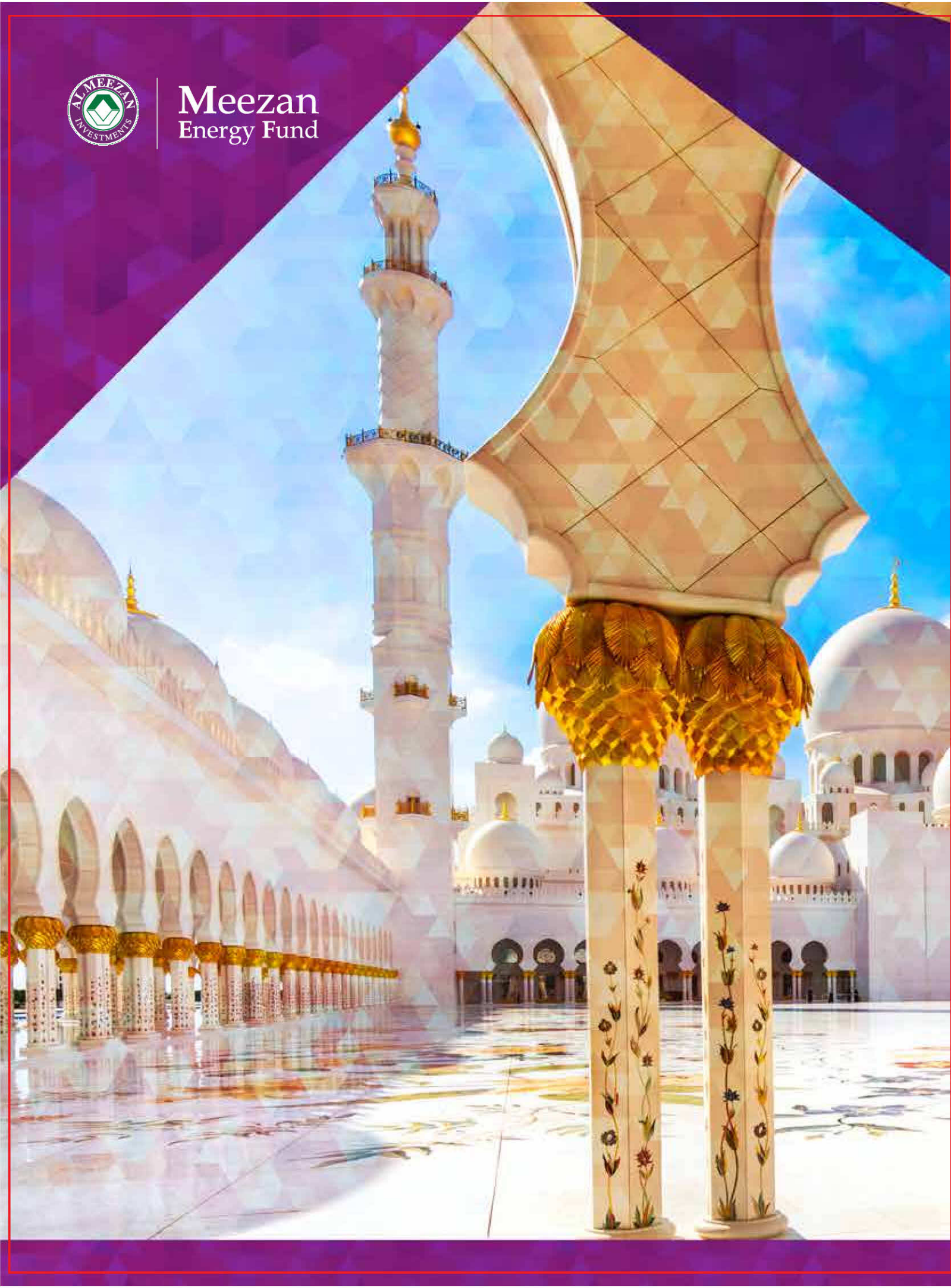
## **PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE**

AS AT JUNE 30, 2017

<b>UNITS HELD BY</b>	<b>UNITS HELD</b>	<b>%</b>
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	3,932,212	16.39
Meezan Bank Limited	2,113,224	8.81
MFPF-Meezan Asset Allocation Plan -I	348,329	1.45
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	366,615	1.53
<b>Executives</b>	17,761	0.07
<b>Individuals</b>	4,089,036	17.04
<b>Retirements Funds</b>	1,333,802	5.56
<b>Public limited companies</b>	913,849	3.81
<b>Private Limited Companies</b>	10,701,920	44.60
<b>insurance Companies</b>	176,035	0.73
<b>Total</b>	<b>23,992,784</b>	<b>100.00</b>



# Meezan Energy Fund





## MEEZAN ENERGY FUND (MEF):

Meezan Energy Fund (MEF) is a Shariah Compliant Energy Sector (Equity) Scheme. It is an actively managed fund offering a simple way to take exposure to Shariah compliant energy sector stocks available at Pakistan Stock Exchange (PSX).

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Meezan Bank Limited  
Habib Metropolitan Bank - Islamic Banking

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



# REPORT OF THE FUND MANAGER

FOR THE PERIOD FROM NOVEMBER 30, 2016 TO JUNE 30, 2017

### Type of Fund

Sector specific open end equity fund. The fund was launched during this fiscal year on November 29, 2016.

### Objective

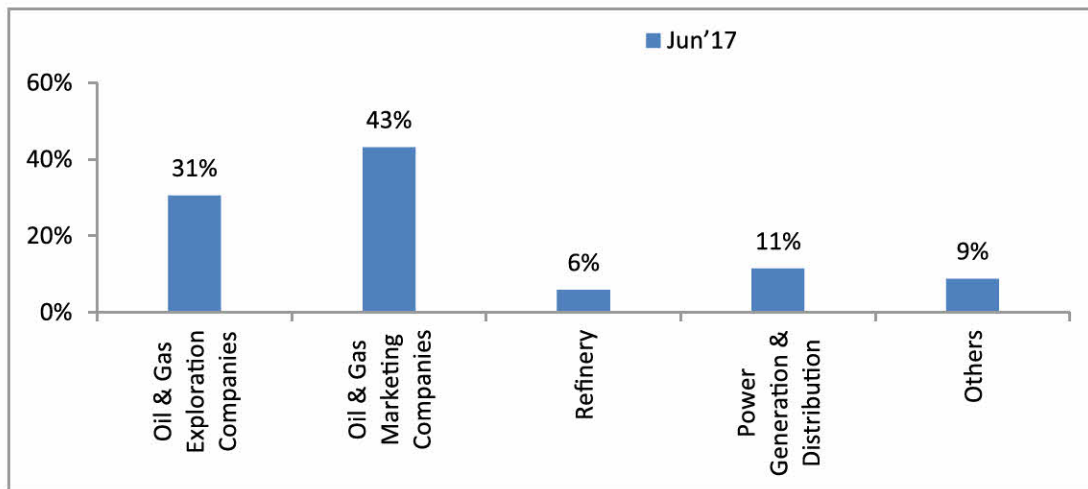
The objective of MEF is to seek long term capital appreciation through investments in Shariah compliant equity stocks, primarily from the energy sector/segment/industry as defined in the constitutive documents, and provide maximum total return to the shareholders for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

### Strategy, Investment Policy and Asset Allocation

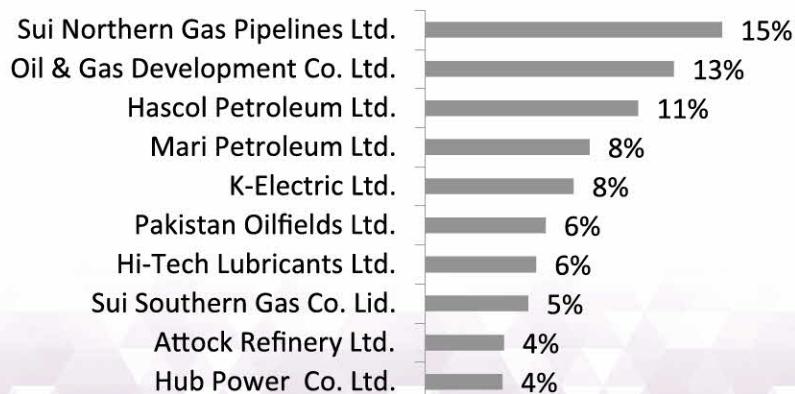
The performance of MEF is directly linked to the performance of the energy sector of the equity market. The fund manager, AI Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth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

During the year, MEF investment exposure touched a maximum of 97% and minimum of 33%, on average remaining 84% invested and closing the year at 93% invested percentage.

### Sector Allocation for the year ended FY17



### Top Holdings





## Performance Review

During FY17, Meezan Energy Fund (MEF) provided a return of 6.96% to its investors while the KSE Meezan Index (KMI 30) appreciated by 9.34% to close at 78,598 pts.

The Fund earned a gross income of Rs. 19 million in fiscal year 2017. Total income comprised of realized gains on investments of Rs. 20 million. Dividend income contributed Rs. 12 million to income, while profit on saving accounts with banks amounted to Rs. 3 million. Unrealized loss on investments was Rs.16 million. After accounting for expenses of Rs. 21 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 77 million, the Fund posted a net income of Rs. 75 million. The net assets of the Fund as at June 30, 2017 were Rs. 1,139 million. The net asset value per unit as at June 30, 2017 was Rs. 50.23.

	MEF	KMI-30
Net Asset Value (NAV) as on Nov 29, 2016 -Rs.	50.00	71,887
Net Asset Value (NAV) as on June 30, 2017 -Rs.	50.23	78,598
Return during the Period <b>(Dividend adjusted)</b>	<b>6.96%</b>	<b>9.34%</b>

## 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. 0.28 million was accrued as charity payable.

## Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2017 was Rs. 3.25 per unit (6.50%). Total distribution made by the fund was Rs. 69.56 million.

## Breakdown of unit holdings by size:

(As on June 30, 2017)

Range (Units)	No. of Investors
1 - 9,999	1,005
10,000 - 49,999	223
50,000 - 99,999	35
100,000 - 499,999	13
500,000 and above	3
<b>Total</b>	<b>1,279</b>



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

- i. We have reviewed and approved the modes of investments of MEF in light of *Shari'ah* requirements. Following is the list of the top investments of MEF 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)
Sui Northern Gas Company	Oil & Gas Marketing Companies	20.70%	0.00%	1.39%	58%	(231.74)	
Oil & Gas Development Company***	Oil & Gas Exploration Companies	0.00%	25.07%	6.21%	39%	59.07	165.35
Mari Petroleum	Oil & Gas Exploration Companies	5.85%	0.00%	0.17%	37.5%	(52.49)	
K-Electric	Power Generation &	10.06%	0.00%	1.19%	63%	(7.65)	

Page 1 of 2

**Meezan Bank Ltd.**

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



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0.00%	0.22%	1.42%	72.58	(42.59)
The Hub Power Co.	Power Generation & Distribution	29.47%	0.00%	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.

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

During the year a provision of Rupees 0.28 million was created and an amount of Rupees 0.00 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 Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN ENERGY 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 Energy Fund (the Fund) are of the opinion that AI Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from November 30, 2016 to 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 PERIOD FROM NOVEMBER 30, 2016 TO 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 NBFI 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

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

## **Review Report to the Unitholders of Meezan Energy 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 period from 30 November 2016 to 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 Karachi Stock Exchange Limited) where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the period ended 30 June 2017.

**Date: 24 August 2017**

**Karachi**

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

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



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

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## **Independent Auditors' Report to the Unitholders**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Energy 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 period from 30 November 2016 to 30 June 2017, 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 period from 30 November 2016 to 30 June 2017 in accordance with approved accounting standards as applicable in Pakistan.





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)
<b>Assets</b>		
Balances with banks	4	91,575
Investments	5	1,059,994
Receivable on issuance and conversion of units		5,326
Dividend receivable		3,192
Deposit and other receivables	6	2,022
Preliminary expenses and floatation costs	7	883
<b>Total assets</b>		<b>1,162,992</b>
<b>Liabilities</b>		
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	8	4,785
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	203
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	514
Payable against investments - (net)		116
Payable to Meezan Bank Limited (MBL)		920
Payable on redemption and conversion of units		2,598
Dividend payable		4,028
Accrued expenses and other liabilities	11	10,564
<b>Total liabilities</b>		<b>23,728</b>
<b>Net assets</b>		<b>1,139,264</b>
<b>Contingencies and commitments</b>	14	
<b>Unitholders' fund (as per statement attached)</b>		<b>1,139,264</b>
		<b>(Number of units)</b>
<b>Number of units in issue</b>	15	<b>22,680,163</b>
		<b>(Rupees)</b>
<b>Net assets value per unit</b>		<b>50.23</b>

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

# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM NOVEMBER 30, 2016 TO JUNE 30, 2017

	Note	For the period from November 30, 2016 to June 30, 2017 (Rupees in '000)
<b>Income</b>		
Net realised gain on sale of investments		19,883
Dividend income		12,035
Profit on saving accounts with banks		2,659
		<b>34,577</b>
Unrealised diminution on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	(15,986)
<b>Total income</b>		<b>18,591</b>
<b>Expenses</b>		
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8.1	10,825
Sindh Sales Tax on management fee	8.2	1,407
Allocated expense	8.4	541
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	1,034
Sindh Sales Tax on Trustee fee	9.1	135
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	514
Auditors' remuneration	16	253
Brokerage expense		1,850
Charity expense		280
Bank and settlement charges		214
Amortisation of preliminary expenses and floatation costs	7	117
Fees and subscription		527
Provision for Sindh Workers' Welfare Fund (SWWF)	12	1,527
Selling and marketing expense	8.5	1,509
Printing expenses		4
<b>Total expenses</b>		<b>20,737</b>
<b>Net loss from operating activities</b>		<b>(2,146)</b>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		76,960
<b>Net income for the period before taxation</b>		<b>74,814</b>
Taxation	21	-
<b>Net income for the period after taxation</b>		<b>74,814</b>
Other comprehensive income for the period		-
<b>Total comprehensive income for the period</b>		<b>74,814</b>

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



## **DISTRIBUTION STATEMENT**

FOR THE PERIOD FROM NOVEMBER 30, 2016 TO JUNE 30, 2017

	Note	For the period from November 30, 2016 to June 30, 2017 (Rupees in '000)
Net income for the period		74,814
Interim distribution for the period ended June 30, 2017 - cash dividend @ 6.50% i.e. Rs. 3.25 per unit		(69,559)
Undistributed income carried forward		5,255
Undistributed income carried forward		
- Realised		21,241
- Unrealised	5.1	(15,986)
		5,255

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


## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE PERIOD FROM NOVEMBER 30, 2016 TO JUNE 30, 2017

	Note	For the period from November 30, 2016 to June 30, 2017 (Rupees in '000)
Net assets at beginning of the period		-
Issue of 46,581,016 units		2,560,650
Redemption of 23,900,853 units		(1,349,681)
		<b>1,210,969</b>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		<b>(76,960)</b>
Net realised gain on sale of investments		<b>19,883</b>
Unrealised diminution on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	<b>(15,986)</b>
Net other income for the period		<b>70,917</b>
Total comprehensive income for the period		<b>74,814</b>
Interim distribution for the year ended June 30, 2017 - cash dividend @ 6.50% i.e. Rs. 3.25 per unit		<b>(69,559)</b>
Total distribution		<b>(69,559)</b>
Net income for the period less distribution		<b>5,255</b>
Net assets at end of the period		<b>1,139,264</b>
		<b>(Rupees)</b>
Net assets value per unit at beginning of the period		-
Net assets value per unit at end of the period		<b>50.23</b>

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



## CASH FLOW STATEMENT

FOR THE PERIOD FROM NOVEMBER 30, 2016 TO JUNE 30, 2017

	Note	For the period from November 30, 2016 to June 30, 2017 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation		74,814
<b>Adjustments for</b>		
Amortisation of preliminary expenses and floatation costs	7	117
Unrealised diminution on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	15,986
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(76,960)
		13,957
<b>Increase in assets</b>		
Investments (net)		(1,075,980)
Dividend receivable		(3,192)
Deposit and other receivables		(2,022)
Preliminary expenses and floatation costs		(1,000)
		(1,082,194)
<b>Increase in liabilities</b>		
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company		4,785
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		203
Payable to Securities and Exchange Commission of Pakistan (SECP)		514
Payable against investments - net		116
Payable to Meezan Bank Limited (MBL)		920
Accrued expenses and other liabilities		10,564
		17,102
<b>Net cash used in operating activities</b>		(1,051,135)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance and conversion of units		2,555,324
Dividend paid		(65,531)
Payment against redemption and conversion of units		(1,347,083)
<b>Net cash generated from financing activities</b>		1,142,710
Net increase in cash and cash equivalents during the period		91,575
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	4	91,575

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

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

**Mohammad Shoab, CFA**  
Chief Executive

**Mazhar Sharif**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM NOVEMBER 30, 2016 TO JUNE 30, 2017

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Energy Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on September 09, 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The objective of the Fund is to seek long term capital appreciation through investments in Shariah compliant equity stocks, primarily from the energy sector / segment / industry, as defined in the constitutive documents. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The Fund is categorized as an Open End Shariah Compliant (Islamic) Equity Scheme in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP).
- 1.4** The Management Company of the Fund has been given a quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

## 2. BASIS OF PRESENTATION

The transactions undertaken by the Fund are in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisor and 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 the basis of historical cost convention except that investments classified as 'at fair value through profit or loss' which 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 judgements**

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

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7);
- c) Taxation (note 3.8 and 21); and
- d) Recognition of provision for Sindh Workers' Welfare Fund (note 12).

## **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 the requirements of the 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'.
  - 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.
  - 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 payments or receipts 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 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 the 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 these financial statements are set out below.

#### **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 and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets, at the time of initial recognition and re-evaluates this classification on a regular basis.

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

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

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

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

##### **(b) Loans and receivables**

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

##### **3.1.2 Regular way contract**

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

##### **3.1.3 Recognition**

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

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

### **3.1.4 Measurement**

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

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

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

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

### **3.1.5 Fair value measurement principles**

The fair value of shares of listed companies is based on their price quoted on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) at the reporting date without any deduction for estimated future selling costs.

### **3.1.6 Derecognition**

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

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

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

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

## **3.2 Unitholders' fund**

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

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

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

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application during business hours on that date. The redemption price represents the net asset



value per unit as of the close of that business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

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

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

### **3.5 Provisions**

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

### **3.6 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from November 30, 2016 in accordance with the requirements of the trust deed of the Fund.

### **3.7 Net assets value per unit**

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

### **3.8 Taxation**

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

#### *Current*

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

#### *Deferred*

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

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

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

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

### **3.9 Revenue recognition**

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- (ii) 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) 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.
- (iv) Profit on saving accounts with banks are recorded on effective yield method.

### **3.10 Expenses**

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

### **3.11 Earnings per unit**

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

### **3.12 Cash and cash equivalents**

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

### **3.13 Distribution**

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



**4. BALANCES WITH BANKS**

	Note	2017 (Rupees in '000)
On saving accounts	4.1	90,787
On current accounts		788
		<b>91,575</b>

**4.1** The balances in saving accounts have an expected profit ranging from 2.00% to 2.40% per annum.

**5. INVESTMENTS**

	Note	2017 (Rupees in '000)
<b>Investments at 'fair value through profit or loss'</b>		
Ordinary shares - Held for trading	5.1	<b>1,059,994</b>

**5.1 Ordinary shares - Held for trading**

Name of the investee company	Purchases during the period	Bonus / right issue	Sales during the period	As at June 30, 2017	Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised appreciation / (diminution) as at June 30, 2017	Percentage in relation to market value of total investment
<b>Sectors / companies</b>								
<b>Oil and gas exploration companies</b>								
Mari Petroleum Company Limited	71,550	-	10,000	61,550	77,564	96,981	19,417	9.15
Oil and Gas Development Company Limited	1,373,000	-	330,000	1,043,000	163,088	146,740	(16,348)	13.84
Pakistan Oilfields Limited	185,000	-	30,000	155,000	75,548	71,013	(4,535)	6.70
Pakistan Petroleum Limited	317,000	-	40,000	277,000	46,521	41,035	(5,486)	3.87
								<b>33.56</b>
<b>Oil and gas marketing companies</b>								
Attock Petroleum Limited	5,000	-	-	5,000	3,425	3,132	(293)	0.30
Hascol Petroleum Limited	476,600	-	108,000	368,600	127,214	125,729	(1,485)	11.86
Hi - Tech Lubricants Limited	600,200	-	-	600,200	73,849	65,428	(8,421)	6.17
Pakistan State Oil Company Limited	125,000	-	40,000	85,000	35,005	32,925	(2,080)	3.11
Shell Pakistan Limited	68,000	-	-	68,000	41,673	39,125	(2,548)	3.69
Sui Northern Gas Pipelines Limited	1,486,000	-	310,000	1,176,000	124,854	175,130	50,276	16.52
Sui Southern Gas Company Limited	2,672,000	-	1,000,000	1,672,000	71,033	60,878	(10,155)	5.74
								<b>47.39</b>
<b>Power generation and distribution</b>								
The Hub Power Company Limited	500,000	-	111,000	389,000	47,847	45,680	(2,167)	4.32
K-Electric Limited (note 5.1.1)	12,716,500	-	-	12,716,500	114,964	87,744	(27,220)	8.28
								<b>12.60</b>
<b>Refinery</b>								
Attock Refinery Limited	131,000	-	9,000	122,000	49,499	46,675	(2,824)	4.40
National Refinery Limited	30,000	-	-	30,000	23,896	21,779	(2,117)	2.05
								<b>6.45</b>
<b>Total</b>					<b>1,075,980</b>	<b>1,059,994</b>	<b>(15,986)</b>	

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

**6. DEPOSIT AND OTHER RECEIVABLES**

	Note	2017 (Rupees in '000)
Profit receivable on saving accounts with banks		643
Advance tax		1,279
Deposit		100
		<b>2,022</b>

**7. PRELIMINARY EXPENSES AND FLOATATION COSTS**

Preliminary expenses and floatation costs		1,000
Less: Amortisation during the period	7.1	(117)
		<b>883</b>

- 7.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund i.e. November 30, 2016, restricted to one percent of Pre-IPO capital, and are being amortised over a period of five years in accordance with the trust deed of the Fund.

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

	Note	2017 (Rupees in '000)
Management fee	8.1	1,950
Sindh Sales Tax on management fee	8.2	254
Sales load		862
Sindh Sales Tax on sales load	8.2	112
Allocated expense	8.4	98
Selling and marketing expense	8.5	1,509
		<b>4,785</b>

- 8.1** As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the fund is entitled to an accrued remuneration equal to an amount not exceeding 2 percent of average annual net assets in case of Equity Scheme. The remuneration of the Management Company has been charged at the rate of 2 percent per annum for the period from November 30, 2016 to June 30, 2017.
- 8.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from July 1, 2011. During the year, SST at the rate of 13 percent was charged on the remuneration of Management Company and sales load.
- 8.3** The mutual funds have been excluded from levy of Federal Excise Duty (FED) vide Finance Act, 2016, hence, no provision of FED has been made in these financial statements.
- 8.4** 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 Fund.



**8.5** Securities and Exchange Commission of Pakistan (SECP) vide a circular no. 40 SCD/PRDD/ Circular/361/2016 dated December 30, 2016, allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from January 01, 2017 till December 31, 2019). Maximum cap of selling and marketing expenses shall be 0.4% per annum of net assets of fund or actual expenses whichever is lower. Accordingly, such expenses have been charged effective from February 27, 2017 at the rate of 0.4% of net assets of the Fund.

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

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

The remuneration of the trustee for the period from November 30, 2016 to June 30, 2017 has been calculated as per the following applicable tariff:

<b>Net assets (Rupees)</b>	<b>Tariff</b>
Upto Rs. 1 billion	Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher.
Over Rs. 1 billion	Rs. 2.0 million plus 0.10% p.a. of NAV, on amount exceeding Rs. 1 billion.

**9.1** 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. As a result of these amendments, the Fund recognised sales tax on trustee fee at the rate of 13 percent in the current period.

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

Under the provisions of the amended Non-Banking Finance Companies and Notified Entities Regulations 2008, a collective investment scheme categorised as an equity scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Scheme. Provided that for Collective Investment Schemes which on quarterly average basis have at least 1,000 retail investors and more than 50% of Net Assets are held by individual investors, provided that the maximum investment by a single retail investor (considered eligible for calculating the threshold of 1,000) does not exceed 1% of the Net Asset shall pay the annual fee at the rate 0.076% for the next three years from the date of notification of these regulations.

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

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>Note</b>	<b>2017 (Rupees in '000)</b>
Withholding tax payable		<b>8,335</b>
Provision for Sindh Workers' Welfare Fund	12	<b>1,527</b>
Charity payable	11.1	<b>280</b>
Shariah advisory fee		<b>267</b>
Auditors' remuneration		<b>155</b>
		<b>10,564</b>

**11.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 0.28 million is outstanding in this regard.



## **12. SINDH WORKERS' WELFARE FUND (SWWF)**

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.

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. 1.31 million for a period from November 30, 2016 to January 12, 2017. This has resulted in a decrease in NAV per unit of Re. 0.10 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 November 30, 2016 to June 30, 2017, amounting to Rs. 1.53 million. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.07.

## **13. 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 from November 30, 2016 to June 30, 2017 is 2.24% which include 0.43% representing government levy, Worker Welfare Fund and SECP fee.

## **14. CONTINGENCIES AND COMMITMENTS**

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



**15. NUMBER OF UNITS IN ISSUE**

**15.1** The movement in number of units in issue during the period is as follows:

**2017**  
**(Number of units)**

Total units in issue at beginning of the period	-
Units issued during the period	<b>46,581,016</b>
Units redeemed during the period	<b>(23,900,853)</b>
Total units in issue at end of the period	<b>22,680,163</b>

**15.2** All units carry equal rights and are entitled to dividend and share in the net asset value of the Fund.

**16. AUDITORS' REMUNERATION**

**For the period from**  
**November 30, 2016**  
**to June 30, 2017**  
**(Rupees in '000)**

Statutory audit fee	<b>135</b>
Half year review fee	<b>50</b>
Other certifications and services	<b>60</b>
Out of pocket expense	<b>8</b>
	<b>253</b>

**17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

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

Details of transactions with connected persons and balances with them for the period from November 30, 2016 to June 30, 2017 are as follows:

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

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

Remuneration payable	<b>1,950</b>
Sindh Sales Tax on management fee payable	<b>254</b>
Sales load payable	<b>862</b>
Sindh Sales Tax on sales load payable	<b>112</b>
Selling and marketing expense payable	<b>1,509</b>
Allocated expense payable	<b>98</b>
Investment as at June 30, 2017: 4,225,813 units	<b>212,263</b>

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

**Meezan Bank Limited**

Bank balance	<b>65,088</b>
Profit receivable on saving accounts	<b>237</b>
Sales load payable	<b>814</b>
Sindh sales tax on sales load payable	<b>106</b>

**Central Depository Company of Pakistan Limited (CDC) - Trustee**

Trustee fee payable	<b>180</b>
Sindh Sales Tax on Trustee fee payable	<b>23</b>
Deposit	<b>100</b>

**Directors and executives of the Management Company**

Investment as at June 30, 2017: 13,264 units	<b>666</b>
--	------------

**Unitholders holding 10 percent or more of the Fund**

Investment as at June 30, 2017: 6,563,534 units	<b>329,686</b>
---	----------------

**For the period from  
November 30, 2016  
to June 30, 2017  
(Rupees in '000)**

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

Remuneration for the period	<b>10,825</b>
Sindh Sales Tax on management fee for the period	<b>1,407</b>
Allocated expenses	<b>541</b>
Selling and marketing expense	<b>1,509</b>
Units issued: 4,225,813 units	<b>213,014</b>
Dividend paid	<b>13,001</b>

**Meezan Bank Limited**

Profit on saving accounts	<b>1,879</b>
---------------------------	--------------

**Central Depository Company of Pakistan Limited (CDC) - Trustee**

Trustee fee for the period	<b>1,034</b>
Sindh Sales Tax on trustee fee for the period	<b>135</b>
CDS charges	<b>74</b>

**Directors and executives of the Management Company**

Units issued: 20,939 units	<b>1,125</b>
Units redeemed: 7,675 units	<b>420</b>
Dividend paid	<b>41</b>

**18. FINANCIAL RISK MANAGEMENT**

Financial risk management objectives and policies:

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

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks



(including price risk, interest rate risk and currency risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, 2008, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Risks managed and measured by the Fund are explained below:

### 18.1 Credit risk

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

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

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

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

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

	Rating agency	2017	
		(Rupees in '000)	(Percentage)
AA+	PACRA	26,487	28.92
AA	JCR-VIS	65,088	71.08
		<u>91,575</u>	<u>100.00</u>

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

#### Financial assets exposed to credit risk

	2017 (Rupees in '000)
Balances with banks	91,575
Receivable on issuance and conversion of units	5,326
Dividend receivable	3,192
Deposits and other receivables	743
	<u>100,836</u>

None of the financial assets were considered to be past due or impaired as on June 30, 2017.

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

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

## 18.2 Liquidity risk

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

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

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

In addition, SECP vide direction No. SCD/Direction/380/2017, dated January 13, 2017, directed the Asset Management Companies (AMCs) to arrange committed credit lines from banks / Development Finance Institutions equivalent to 15% of the net assets of the fund for redemption purposes which was subsequently decreased to 10% of the net assets of the fund vide direction No. SCD/Direction/447/2017, dated March 03, 2017. The AMCs shall review the committed credit lines at least on quarterly basis against net assets of the Fund.

The Management Company on behalf of fund has arranged with banks where credit lines amounting to Rs. 115 million will be provided, if the need arises. The Management Company will review these credit lines against net assets of the Fund on quarterly basis.

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

	2017				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	(Rupees in '000)				
<b>Financial Liabilities:</b>					
Payable to Al Meezan Investment Management Limited - Management Company	4,785	-	-	-	4,785
Payable to Central Depository Company of Pakistan Limited - Trustee	203	-	-	-	203
Payable against investments - net	116	-	-	-	116
Payable to Meezan Bank Limited (MBL)	920	-	-	-	920
Payable on redemption and conversion of units	2,598	-	-	-	2,598
Dividend payable	4,028	-	-	-	4,028
Accrued expenses and other liabilities	702	-	-	-	702
	<b>13,352</b>	-	-	-	<b>13,352</b>



## 18.3 Market risk

### 18.3.1 Price risk

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

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

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

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in 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. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by Rs. 10.6 million if the prices of equity vary due to increase / decrease in KMI 30 Index by 1% with all other factors held constant.

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

### 18.3.2 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. 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 period then ended would have been higher / lower by Rs. 0.91 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.

As at 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) -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	2.00% to 2.40%	90,787	-	788	91,575
Investments		-	-	1,059,994	1,059,994
Receivable on issuance and conversion of units		-	-	5,326	5,326
Dividend receivable		-	-	3,192	3,192
Deposits and other receivables		-	-	743	743
		<b>90,787</b>	-	<b>1,070,043</b>	<b>1,160,830</b>
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	4,785	4,785
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	203	203
Payable against investments - net		-	-	116	116
Payable to Meezan Bank Limited (MBL)		-	-	920	920
Payable on redemption and conversion of units		-	-	2,598	2,598
Dividend payable		-	-	4,028	4,028
Accrued expenses and other liabilities		-	-	702	702
		-	-	13,352	13,352
<b>On-balance sheet gap</b>		<b>90,787</b>	-	<b>1,056,691</b>	<b>1,147,478</b>
<b>Off-balance sheet financial instruments</b>					
		-	-	-	-
<b>Off-balance sheet gap</b>					
		-	-	-	-
<b>Total interest rate sensitivity gap</b>		<b>90,787</b>	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		<b>90,787</b>	<b>90,787</b>	<b>90,787</b>	-

### 18.3.3 Currency risk

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

## 19. UNITHOLDERS' FUND RISK MANAGEMENT

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

The Fund 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 NBFC Regulations, 2008, which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

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



## 20. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the 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 assets that are measured at fair value as at June 30, 2017:

Note	Carrying amount					Fair value				
	Investments	Other receivables	Cash and cash equivalents	Other payables	Total	Level 1	Level 2	Level 3	Total	
<b>June 30, 2017</b>										
----- (Rupees in '000) -----										
<b>Financial assets</b>										
<b>- measured at fair value</b>										
Investments	1,059,994	-	-	-	1,059,994	1,059,994	-	-	1,059,994	
<b>Financial assets</b>										
<b>- not measured at fair value</b>										
Balances with banks	20.1	-	91,575	-	91,575					
Receivable on issuance and conversion of units	20.1	5,326	-	-	5,326					
Dividend receivable	20.1	3,192	-	-	3,192					
Deposits and other receivables	20.1	743	-	-	743					
		<u>1,059,994</u>	<u>9,261</u>	<u>91,575</u>	<u>-</u>				<u>1,160,830</u>	
<b>Financial liabilities</b>										
<b>- not measured at fair value</b>										
Payable to Al Meezan Investment Management Limited - Management Company	20.1	-	-	4,785	4,785					
Payable to Central Depository Company of Pakistan Limited - Trustee	20.1	-	-	203	203					
Payable against investments - net	20.1	-	-	116	116					
Payable to Meezan Bank Limited (MBL)	20.1	-	-	920	920					
Payable on redemption and conversion of units	20.1	-	-	2,598	2,598					
Dividend payable	20.1	-	-	4,028	4,028					
Accrued expenses and other liabilities	20.1	-	-	702	702					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>13,352</u>				<u>13,352</u>	



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

## **21. 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).

## **22. PERFORMANCE TABLE**

	<b>2017</b>
Net assets (Rs. '000) (ex-distribution)	<b>1,139,264</b>
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>50.23</b>
Offer price per unit as at June 30, (Rs.) (ex-distribution)	<b>51.93</b>
Highest offer price per unit (Rs.)	<b>63.79</b>
Lowest offer price per unit (Rs.)	<b>50.00</b>
Highest redemption price per unit (Rs.)	<b>61.70</b>
Lowest redemption price per unit (Rs.)	<b>49.96</b>
<b>Distribution (%)</b>	
<i>Interim</i>	<b>6.50</b>
<i>Final</i>	-
<b>Date of distribution</b>	
<i>Interim</i>	<b>June 23, 2017</b>
<i>Final</i>	-
Income distribution (Rupees in '000)	-
Growth distribution (Rupees in '000)	<b>69,559</b>
Total return (%)	<b>6.96</b>
	<b>One Year</b>
Average annual return as at June 30, 2017	<b>6.96%</b>

### **Investment portfolio composition of the Fund**

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 18.



## 23. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoailb	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

23.2 The Fund manager of the Fund is Mr. Ahmed Hassan. Other funds being managed by the Fund manager are as follows:

- Al Meezan Mutual Fund
- Meezan Financial Planning Fund of Funds
- Meezan Strategic Allocation Fund
- Meezan Asset Allocation Fund

## 24. 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 Shoailb	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.

**25. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE**For the period from  
November 30, 2016  
to June 30, 2017**Broker's Name**

1. Fortune Securities Limited	14%
2. JS Global Capital Limited	14%
3. AKD Securities Limited	14%
4. Invest & Finance Securities Limited	10%
5. Eilxir Securities Pakistan (Private) Limited	9%
6. Taurus Securities Limited	8%
7. Aba Ali Habib Securities (Private) Limited	5%
8. BMA Capital Management Limited	4%
9. Ample Securities (Private) Limited	4%
10. Top Line Securities (Private) Limited	3%

**26. PATTERN OF UNIT HOLDING**

As at June 30, 2017

	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	1,266	704,478	61.83
Associated companies / directors	1	212,263	18.63
Retirement funds	1	3,932	0.35
Others	11	218,591	19.19
<b>Total</b>	<b>1,279</b>	<b>1,139,264</b>	<b>100.00</b>

**27. GENERAL**


**27.1** There are no corresponding figures as the Fund commenced its operations from November 30, 2016.

**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 authorized for issue on August 24, 2017 by the Board of Directors of the Management Company.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Mazhar Sharif**  
Director



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

AS AT JUNE 30, 2017

<b>UNITS HELD BY</b>	<b>UNITS HELD</b>	<b>%</b>
<b>Associated Company</b> Al Meezan Investment Management Limited	4,225,813	18.63
<b>Executives</b>	13,264	0.06
<b>Individuals</b>	14,011,167	61.78
<b>Retirement Funds</b>	78,268	0.35
<b>Other Corporate Sector Entities</b>	4,210,454	18.56
<b>Non-Profit Organisations</b>	141,197	0.62
<b>Total</b>	<b>22,680,163</b>	<b>100.00</b>



## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices



(AM1 rating by JCR-VIS)

**Al Meezan Investment Management Ltd.**

A subsidiary of Meezan Bank

Find your *solutions* with faith at  
0800 - HALAL (42525)



A Subsidiary of

**Meezan Bank**  
The Premier Islamic Bank

Ground Floor, Block B, Finance and Trade Centre (FTC), Sharah-e-Faisal, Karachi, 74400  
UAN: 111-633-926 (Meezan) | [info@almeezangroup.com](mailto:info@almeezangroup.com) | Fax: (92-21) 35676143

[www.facebook.com/almeezangroup](https://www.facebook.com/almeezangroup) [www.twitter.com/almeezangroup](https://www.twitter.com/almeezangroup)