

A PROMISING HERITAGE



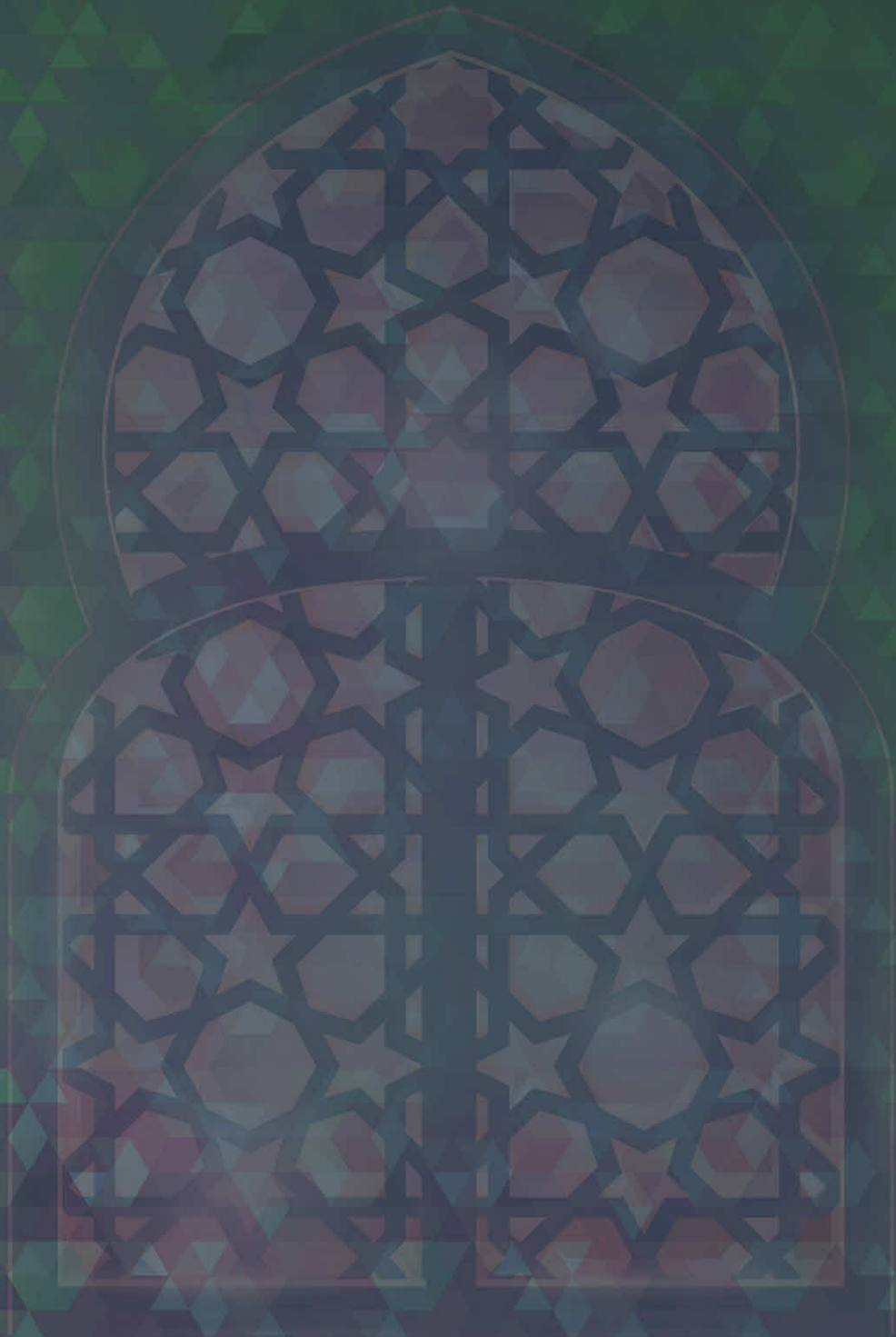
ANNUAL REPORT 2017



Meezan
Tahaffuz Pension Fund



ANNUAL REPORT
2017



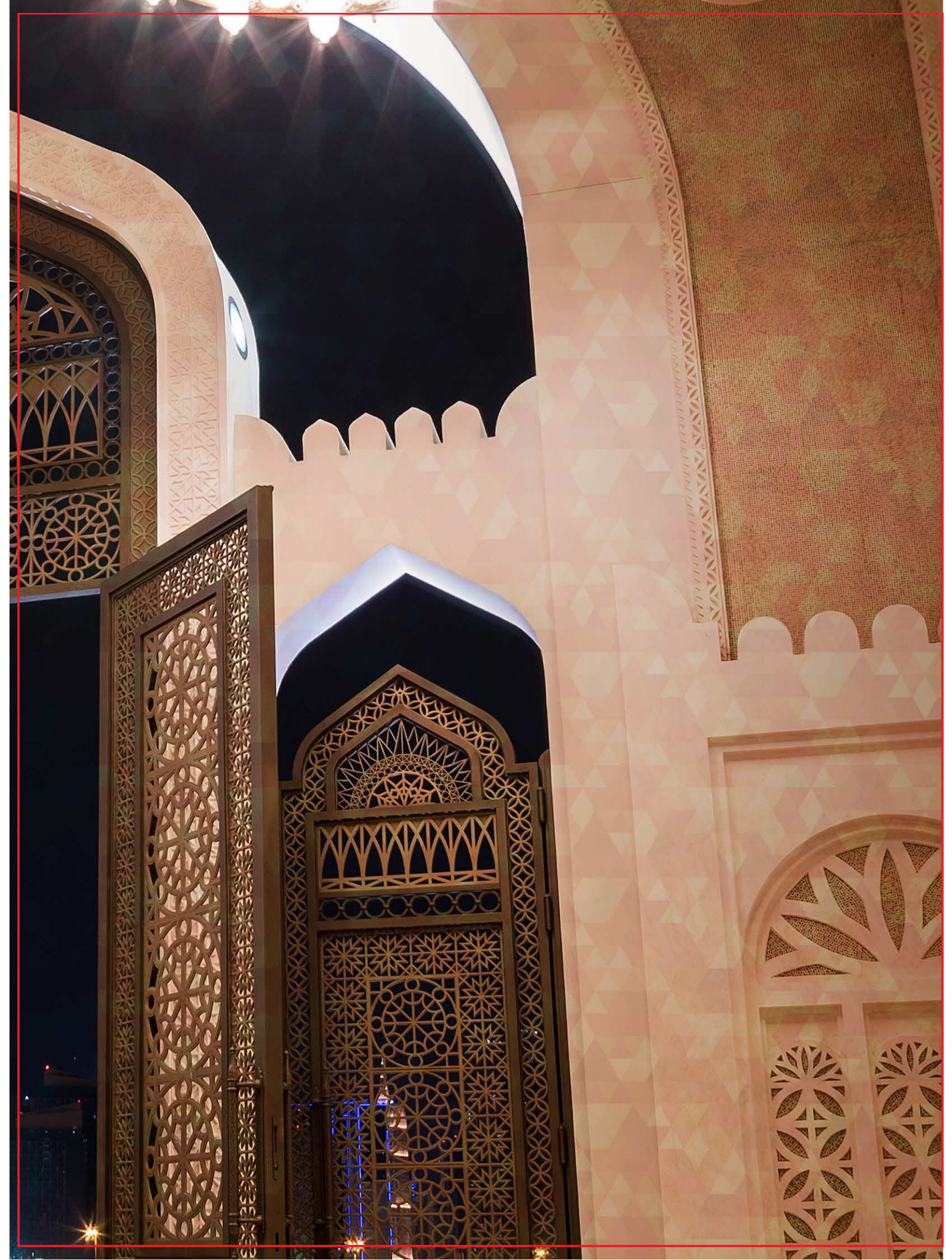
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Meezan
Tahaffuz Pension Fund

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WHO WE ARE

We began our journey in 1995. The objective of the journey was simple, to bring Shariah compliant investment options to the people of Pakistan. In the 22 years since then, Al Meezan Investment Management Limited, due to the trust our customers hold in us, has now become the largest Asset Manager in Pakistan.

With an innate culture of innovation and the purpose of making Shariah compliant investing every Pakistani's first investment avenue of choice, Al Meezan has achieved an assets under management base of Rs. 109 billion (as on June 30, 2017). As Pakistan's only full-fledged Shariah compliant Asset Management Company, we have enabled our customers towards achieving their financial objectives.

Al Meezan offers a full breadth of Shariah compliant investment solutions ranging from equity, sector, balanced, asset allocation, fixed income, money market, capital preservation, fund of funds, commodity and voluntary pension schemes. Depending on each investor's need, we provide expert guidance to them to achieve their financial objectives.



VISION

To make Shariah compliant investing a first choice for investors.

MISSION

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



OUR CORE VALUES

Our Core Values are the 5 pillars of our foundation. They reflect and reinforce our character and standing as an organization. These values depict the paradigm of our internal and external expectations: our dealings with members of the organization, our customers, the shareholders and the communities we serve. Our corporate culture is based on these values and serves as a beacon of guidance for all our employees.

Our values are not about what we do or how we do it infact they are about who we are and why we exist. The values, which fuel our drive to achieve newer milestones at every step of our journey to success are:

SHARIAH COMPLIANCE

We ensure that all business operations and activities are Shariah compliant. As a Shariah Compliant entity we are also accountable for ensuring that rulings and decisions made by the regulators, Shariah Board and Shariah Advisors are complied with across the organization.

ETHICAL STANDARDS

We practice high ethical standards at work and in our services. Maintaining high ethical standards in the workplace translates in prioritizing the interest of the client, acting with integrity, competence and diligence, and respecting our dealings with the public, clients, prospective clients and colleagues.

PROFESSIONAL EXCELLENCE

Professional excellence is about achieving excellence as an employee. It is at the core of being a "professional." Ensuring our approach to work and the people we work with – supervisors, colleagues and/or customers – is in a professional and respectful manner.

SERVICE EXCELLENCE

Service excellence is an attitude engrained in every department and employee. From support staff to the CEO, we simply go beyond delivering products and helping customers achieve their financial objectives. It is essential that we provide a unique customer experience by proactively anticipating and exceeding customers' needs every time. Excellence is a consistent, premium service at every point of contact which is set by our service-oriented tone that drives our company's strategy at every level.

SOCIAL RESPONSIBILITY

We work in an ethical framework, which suggests that as an entity we have an obligation to act for the benefit of our society at large. We want to contribute towards sustainable development not only through our products but also through the way we conduct business.





PRIDE OF THE YEAR FY 2017



Awarded
AM1
Management Quality
Rating by JCR-VIS



Over
63,000 customers
(as on June 30, 2017)



AUM's
Rs. **109** billion
(as on June 30, 2017)



Number of New
Branches:
3



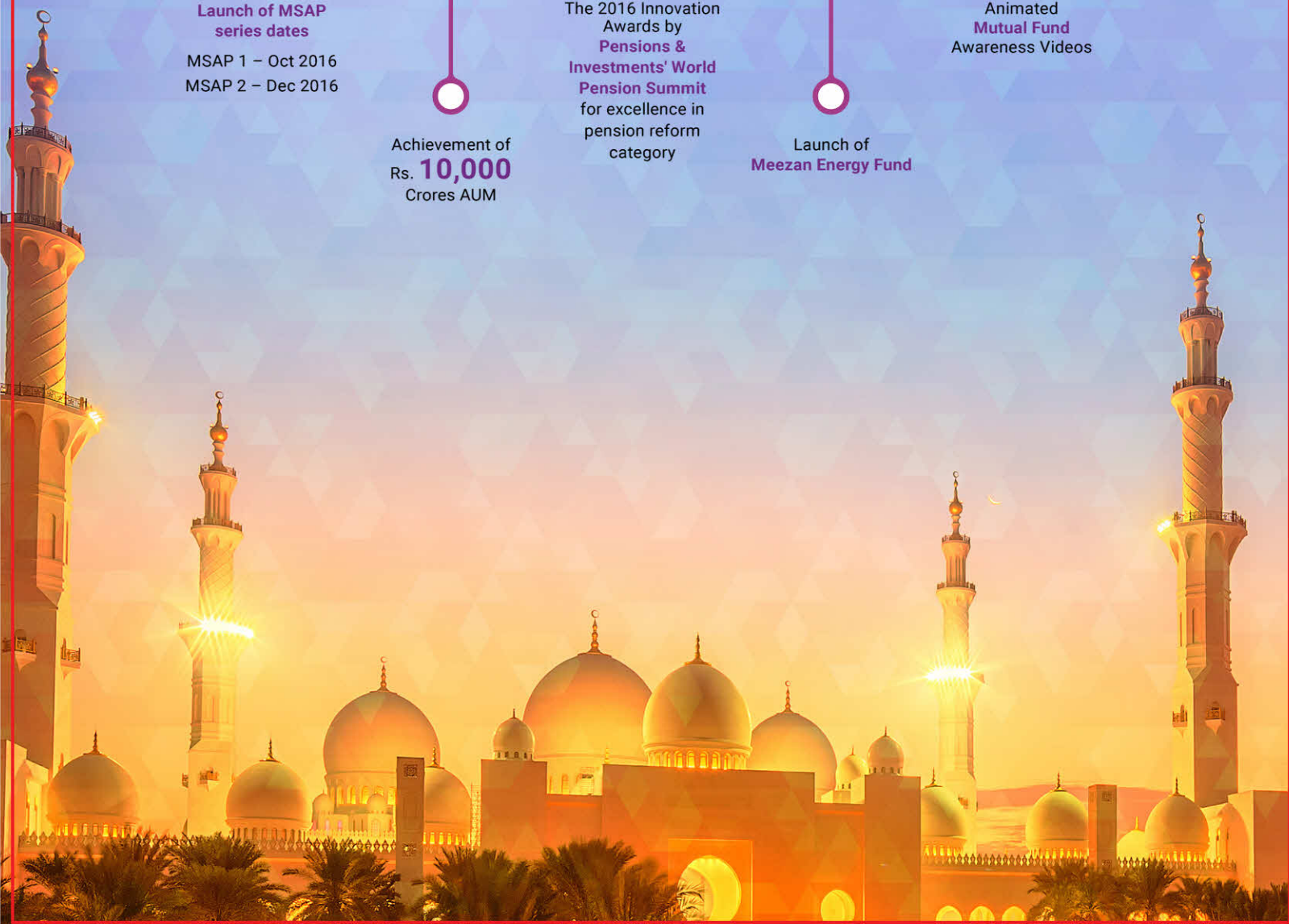
Total Number of
Employees: **340**
(as on June 30, 2017)



Total number of
Transactions:
238,749

THE FINANCIAL YEAR AT AL MEEZAN FY 2017

2016



2017



Achievement of **60,000** plus customers

Awarded **AM1** Management Quality Rating by JCR-VIS

Completion of 10 successful years for **Meezan Tahafuz Pension Fund**

Launch of **MSAP** series dates
MSAP 3 – Feb 2017
MSAP 4 – Apr 2017

16 Branches Nationwide

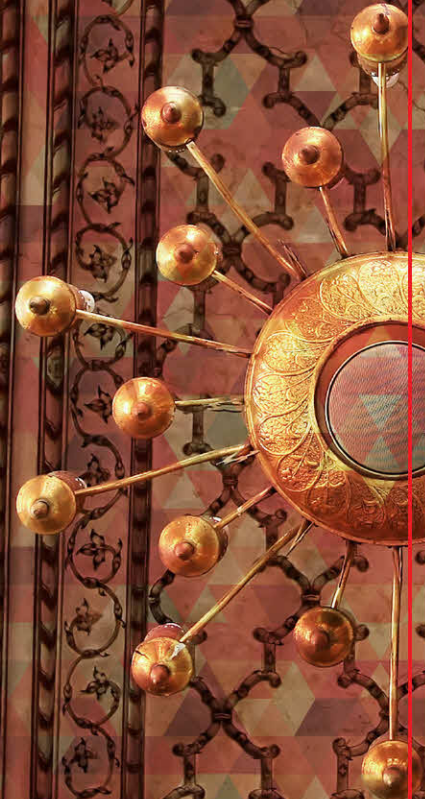




Meezan
Tahaffuz Pension Fund

BADSHAHI MOSQUE – LAHORE, PAKISTAN.

The 17th Century Mughal grandeur.



The background of the page is a photograph of an ornate interior space. The walls are covered in intricate floral and geometric patterns in shades of gold, brown, and red. A large, ornate golden chandelier with multiple spherical ornaments hangs from the ceiling. The overall aesthetic is traditional and luxurious. A large, dark blue and purple geometric patterned overlay covers the top right portion of the image, containing the text.

MEEZAN TAHAFFUZ PENSION FUND (MTPF):

Meezan Tahaffuz Pension Fund is Pakistan's first and the largest Shariah Compliant Voluntary Pension Scheme. MTPF is the best way to save and invest for your post-retirement needs and it has the potential to deliver superior returns with the added advantage of providing immense Tax Benefits which significantly enhances the yield on your investment.

FUND INFORMATION

PENSION FUND MANAGER

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 PENSION FUND MANAGER

| | | |
|-----------------------------|-----------------|----------|
| Mr. Ariful Islam | Non-Executive | Chairman |
| Mr. Mohammad Shoab, 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 PENSION FUND MANAGER

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 Shoab, CFA | Member |

TRUSTEE

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

AUDITORS

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7&8,
KCHSU, Shahrah-e-Faisal, Karachi-75350, Pakistan

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Askari Bank Limited - Islamic Banking
Bank Alfalah - Islamic Banking Branch
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited - Islamic Banking

Habib Metropolitan Bank Limited - Islamic Banking
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
Sindh Bank Pakistan Limited
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, S.I.T.E., Karachi
Phone: (9221) 33810538 Fax: (9221) 96406017
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 pension fund investing primarily in Shariah compliant stocks and debt instruments (Sukuks).

Objective

The objective of MTPF is to provide participants with a Shariah-compliant saving mechanism whereby they can save from their current income in order to gain benefits of an income stream after retirement or disability when other income avenues have been exhausted.

Investment Policy

This collective investment scheme is divided into four sub-funds namely equity, debt, money market and Gold sub-funds which have different investment policies in order to cater to investors with varying levels of risk tolerance. These sub-funds offer the investors a wide range of options to select an allocation according to their risk preference. The same can be summarized in the table below:

| Allocation Scheme | Equity (%) | Debt (%) | Money Market (%) |
|-------------------|------------|----------|------------------|
| High Volatility | 80 | 20 | 0 |
| Medium Volatility | 50 | 40 | 10 |
| Low Volatility | 25 | 60 | 15 |
| Lower Volatility | 0 | 50 | 50 |

Performance Review

For the period under review, the equity sub-fund provided a return of 20.40%, debt sub-fund provided a return of 4.94%, money market sub-fund returned 4.40% while the Gold Sub-fund lagged with a negative return of (9.41%). Detailed performance review for each sub fund is given as under:

| Meezan Tahaffuz Pension Fund | | FY17 |
|------------------------------|-------------------------------------|--------|
| - Equity sub fund | Voluntary Pension Scheme | 20.40% |
| - Debt sub fund | | 4.94% |
| - Money market sub fund | | 4.40% |
| - Gold sub fund | | -9.41% |
| | | FY17 |
| - High Volatility | Voluntary Pension Allocation Scheme | 17.31% |
| - Medium Volatility | | 12.62% |
| - Low Volatility | | 8.73% |
| - Lower Volatility | | 4.67% |

Equity Sub Fund

Equity sub fund posted a total income of Rs. 1,023 million in FY17 as compared to Rs. 667 million last year. Total income comprised of realized and unrealized gain on investments of Rs. 263 million and Rs. 499 million respectively. Dividend income contributed Rs. 189 million, while profit on saving accounts with banks amounted to Rs. 10 million. Income from reversal of WWF was Rs.62 million. After accounting for expenses of Rs. 168 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 129 million, the Fund posted a net income of Rs. 984 million. The net assets of the Fund as at June 30, 2017 were Rs. 5,806 million as compared to Rs. 4,099 million at the end of last year. The net asset value per unit as at June 30, 2017 was Rs. 592.32 as compared to Rs. 491.95 per unit as on June 30, 2016.

Debt Sub Fund

The Fund earned a gross income of Rs. 154 million, which was primarily due to profit on Sukuks certificates worth Rs. 76 million. Profit on saving accounts at Islamic banks including profit on term deposit receipts contributed Rs. 54 million. On the other side, the fund incurred unrealized gain worth Rs. 17 million while income from reversal of WWF was Rs. 7 million. The fund also incurred expenses totalling to Rs. 47 million and element of gain and capital gains included in prices of units issued and less those in units redeemed of Rs. 12 million, which brought the net income figure to Rs. 118 million. The net assets of the Fund as at June 30, 2017 were Rs. 2,511 million as compared to Rs. 1,997 million at the end of last year depicting a growth of almost 25.7% during the year. The net asset value per unit as at June 30, 2017 was Rs. 214.59 as compared to Rs. 204.48 per unit as on June 30, 2016.

Money Market Sub Fund

The Fund earned a gross income of Rs. 34 million, which was primarily due to profit on Sukuks certificates amounting to Rs. 11 million. Profit on saving accounts at Islamic banks including profit on term deposit receipt totalled Rs. 19 million. On the other side, the fund incurred unrealized gain worth Rs. 3 million while income from reversal of WWF was Rs. 2 million. The fund also incurred expenses totalling Rs. 11 million and element of gain and capital gains included in price of units issued and less those in units redeemed was Rs. 5 million, which brought the net income figure to Rs. 28 million. The net assets of the Fund as at June 30, 2017 were Rs. 663 million as compared to Rs. 453 million at the end of last year depicting a growth of 46.35%. The net asset value per unit as at June 30, 2017 was Rs. 212.18 as compared to Rs. 203.23 per unit as on June 30, 2016.

Gold Sub Fund

The Fund posted a gross loss of Rs. 3 million, which was due to unrealized loss on investment of Rs. 3 million. The fund also incurred expenses totalling to Rs. 1.18 million and element of loss and capital losses included in prices of units issued and less those in units redeemed of Rs. 0.34 million, which brought the net loss figure to Rs. 4.49 million. The net assets of the Fund as at June 30, 2017 were Rs. 43.24 million. The net asset value per unit as at June 30, 2017 was Rs. 90.59.



Meezan
Tahaffuz Pension Fund

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahr-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 PARTICIPANTS

MEEZAN TAHAFFUZ PENSION FUND

Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Tahaffuz Pension Fund (the Fund) are of the opinion that AI Meezan Investment Management Limited being the Pension Fund Manager 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 constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

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

Karachi, September 14, 2017





Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor – Meezan Tahaffuz Pension 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 MTPF in light of *Shari'ah* requirements. Following is the list of investments of MTPF 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 |
| Mari Petroleum Co. Ltd | Oil & Gas Exploration Companies | 5.85% | 0% | 0.17% | 37.50% | (52.49) | |
| Packages Limited | Paper & Board | 16.42% | 5.85% | 0.13% | 84% | (95.54) | |
| OGDC*** | Oil & Gas Exploration Companies | 0.00% | 25.07% | 6.21% | 39% | 59.07 | 165.35 |
| SNGPL | Oil & Gas Marketing Companies | 20.70% | 0% | 1.39% | 58% | (231.74) | |

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) | |
|------------------|----------------------|--------|--------|-------|-----|-------|--|
| Honda Atlas Cars | Automobile Assembler | 0.03% | 16.79% | 0.94% | 32% | -6.72 | |
| DGKC | Cement | 11.90% | 3.29% | 4.76% | 90% | -37.7 | |

* 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 MTPF 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 MTPF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

During the year a provision of Rupees 2.48 million was created and an amount of Rupees 2.01 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

INDEPENDENT AUDITORS' REPORT TO THE PARTICIPANTS OF MEEZAN TAHAFFUZ PENSION FUND

We have audited the annexed financial statements comprising:

- i. Balance Sheet;
- ii. Income Statement and Statement of Comprehensive Income;
- iii. Cash flow Statement;
- iv. Statement of Movement in Participants' Fund;
- v. Contribution table; and
- vi. Number of units in issue

of **Meezan Tahaffuz Pension Fund** ("the Fund") as at June 30, 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of Al Meezan Investment Management Limited (the Pension Fund Manager) to establish and maintain a system of internal controls; and prepare and present the financial statements of the Fund in conformity with the International Accounting Standards notified under the sub-section (3) of section 234 of the Companies Ordinance, 1984 and technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pensions System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- a) the financial statements prepared for the year ended June 30, 2017 have been properly drawn in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2017 and the transactions of the Fund for the year then ended in accordance with approved accounting standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- e) the financial statements prepared are in agreement with the Fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980) was deducted and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



Meezan
Tahaffuz Pension Fund

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Other Matter

The Financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 31, 2016 expressed an unmodified opinion thereon.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 11, 2017
Place: Karachi


BALANCE SHEET

AS AT JUNE 30, 2017

| Note | 2017 | | | | | 2016 | |
|---|-----------------|------------------|-----------------------|------------------|----------------|------------------|------------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total | |
| (Rupees in '000) | | | | | | | |
| ASSETS | | | | | | | |
| Bank balances | 4 | 355,354 | 744,190 | 378,663 | 5,995 | 1,484,202 | 543,527 |
| Investments | 5 | 5,428,403 | 1,803,719 | 282,624 | 37,419 | 7,552,165 | 5,897,147 |
| Dividend receivable | | 24,606 | - | - | - | 24,606 | 12,078 |
| Deposits and other receivables | 6 | 13,182 | 44,069 | 5,592 | 12 | 62,855 | 33,605 |
| Receivable against change of plan / change of fund manager | | 75,598 | 5,616 | 9,916 | - | 91,130 | 181,449 |
| Total assets | | 5,897,143 | 2,597,594 | 676,795 | 43,426 | 9,214,958 | 6,667,806 |
| LIABILITIES | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Pension Fund Manager | 7 | 8,213 | 3,498 | 899 | 61 | 12,671 | 8,794 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 8 | 467 | 199 | 51 | 3 | 720 | 571 |
| Payable to auditors | | 53 | 53 | 53 | 65 | 224 | 216 |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 1,737 | 748 | 177 | 13 | 2,675 | 1,732 |
| Payable against purchase of investments (net) | | 23 | - | - | - | 23 | 12,724 |
| Payable against withdrawal / change of plan | | 20,547 | 68,124 | 9,263 | - | 97,934 | 19,307 |
| Accrued expenses and other liabilities | 10 | 59,874 | 14,011 | 3,533 | 41 | 77,459 | 74,439 |
| Total liabilities | | 90,914 | 86,633 | 13,976 | 183 | 191,706 | 117,783 |
| NET ASSETS | | 5,806,229 | 2,510,961 | 662,819 | 43,243 | 9,023,252 | 6,550,023 |
| Contingencies and commitments | 11 | | | | | | |
| PARTICIPANTS' SUB-FUNDS (as per statement attached) | | 5,806,229 | 2,510,961 | 662,819 | 43,243 | 9,023,252 | 6,550,023 |
| (Number of units) | | | | | | | |
| Number of units in issue (as per statement attached) | | 9,802,505 | 11,701,249 | 3,123,860 | 477,358 | | |
| (Rupees) | | | | | | | |
| Net assets value per unit | | 592.32 | 214.59 | 212.18 | 90.59 | | |

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Al Meezan Investment Management Limited
(Pension Fund Manager)**


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

| Note | For the year ended June 30, 2017 | | | | Total | For the year ended June 30, 2016 | |
|---|----------------------------------|---------------|-----------------------|---------------|-----------|----------------------------------|-------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | | Total | |
| | (Rupees in '000) | | | | | | |
| | 983,882 | 118,284 | 27,952 | (4,493) | 1,125,625 | 731,263 | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | |
| Net income / (loss) for the year before taxation | | | | | | | |
| Adjustments: | | | | | | | |
| Unrealised appreciation on 're-measurement of investments at 'fair value through profit or loss' (net) | 5.1,5.2 & 5.3 | (499,111) | (17,117) | (2,931) | - | (519,159) | (455,923) |
| Unrealised diminution on investment in gold | 5.6 | - | - | - | 3,112 | 3,112 | - |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net) | | (129,239) | (11,887) | (5,207) | 343 | (145,990) | (70,750) |
| | | 355,532 | 89,280 | 19,814 | (1,038) | 463,588 | 204,590 |
| Increase / (decrease) in assets | | | | | | | |
| Investments (net) | | (966,792) | (1,143) | (130,505) | (40,531) | (1,138,971) | (1,401,588) |
| Receivable against sale of investments (net) | | - | - | - | - | - | 20,898 |
| Dividend receivable | | (12,528) | - | - | - | (12,528) | (8,017) |
| Deposits and other receivables | | (7,852) | (19,312) | (2,074) | (12) | (29,250) | (15,459) |
| | | (987,172) | (20,455) | (132,579) | (40,543) | (1,180,749) | (1,404,166) |
| (Increase) / decrease in liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Pension Fund Manager | | (14,227) | (8,615) | (2,261) | 61 | (25,042) | 16,937 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 105 | 29 | 12 | 3 | 149 | 166 |
| Payable to the Securities and Exchange Commission of Pakistan | | 656 | 222 | 52 | 13 | 943 | 569 |
| Payable to auditors | | (18) | (18) | (18) | 65 | 11 | |
| Payable against purchase of investments (net) | | (12,701) | - | - | - | (12,701) | (20,641) |
| Accrued expenses and other liabilities | | 21,444 | 8,343 | 2,111 | 41 | 31,939 | 15,184 |
| | | (4,741) | (39) | (104) | 183 | (4,701) | 12,215 |
| Net cash (used in) / generated from operating activities | | (636,381) | 68,786 | (112,869) | (41,398) | (721,862) | (1,187,361) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | | | |
| Receipts of contribution / change of plan / change of fund manager | | 1,971,486 | 1,085,028 | 445,283 | 55,868 | 3,557,665 | 2,282,052 |
| Payments on withdrawal / change of plan | | (1,075,499) | (561,639) | (249,515) | (8,475) | (1,895,128) | (1,006,180) |
| Net cash generated from financing activities | | 895,987 | 523,389 | 195,768 | 47,393 | 1,662,537 | 1,275,872 |
| Net increase in cash and cash equivalents during the year | | 259,606 | 592,175 | 82,899 | 5,995 | 940,675 | 88,511 |
| Cash and cash equivalents at beginning of the year | | 95,748 | 152,015 | 295,764 | - | 543,527 | 455,016 |
| Cash and cash equivalents at end of the year | 4 | 355,354 | 744,190 | 378,663 | 5,995 | 1,484,202 | 543,527 |

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Al Meezan Investment Management Limited
(Pension Fund Manager)**


Mohammad Shoaib, CFA

Chief Executive



Mazhar Sharif
Director



STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB FUNDS FOR THE YEAR ENDED JUNE 30, 2017

| | For the year ended June 30, 2017 | | | For the period from August 04, 2016 to June 30, 2017 | Total | For the year ended June 30, 2016 |
|---|----------------------------------|------------------|-----------------------|--|--------------------|----------------------------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | | Total |
| | (Rupees in '000) | | | | | |
| Net assets at beginning of the year | 4,099,339 | 1,997,375 | 453,309 | - | 6,550,023 | 4,476,521 |
| Amount on issuance of units during the year | | | | | | |
| (2017: Equity sub fund: 3,311,992 units; Debt sub fund: 4,872,855 units; Money market sub fund: 2,095,565 units; Gold sub fund: 554,253 units) | | | | | | |
| (2016: Equity sub fund: 3,082,761 units; Debt sub fund: 4,000,911 units; Money market sub fund: 1,123,586 units) | | | | | | |
| | 1,946,437 | 1,027,564 | 437,479 | 55,868 | 3,467,348 | 2,422,015 |
| Amount on withdrawal of units during the year | | | | | | |
| (2017: Equity sub fund: 1,842,317 units; Debt sub fund: 2,939,647 units; Money market sub fund: 1,202,209 units; Gold sub fund: 76,895 units) | | | | | | |
| (2016: Equity sub fund: 1,326,201 units; Debt sub fund: 1,379,812 units; Money market sub fund: 622,181 units) | | | | | | |
| | (1,094,190) | (620,375) | (250,714) | (8,475) | (1,973,754) | (1,008,631) |
| | 852,247 | 407,189 | 186,765 | 47,393 | 1,493,594 | 1,413,384 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net) | (129,239) | (11,887) | (5,207) | 343 | (145,990) | (70,750) |
| Net realised gain on sale of investments | 262,772 | 103 | - | - | 262,875 | 76,724 |
| Unrealised appreciation on 're-measurement of investments at 'fair value through profit or loss' (net) | 499,111 | 17,117 | 2,931 | - | 519,159 | 455,923 |
| Unrealised diminution on 're-measurement of investments in gold | - | - | - | - | - | - |
| Unrealised appreciation on 're-measurement of investments classified as "available for sale" (net) | - | - | - | - | - | (395) |
| Other net income / (loss) for the year | 221,999 | 101,064 | 25,021 | (4,493) | 343,591 | 198,616 |
| Total comprehensive income / (loss) for the year | 983,882 | 118,284 | 27,952 | (4,493) | 1,125,625 | 730,868 |
| Net assets at end of the year | 5,806,229 | 2,510,961 | 662,819 | 43,243 | 9,023,252 | 6,550,023 |

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For AI Meezan Investment Management Limited
(Pension Fund Manager)**



**Mohammad Shoab, CFA
Chief Executive**



**Mazhar Sharif
Director**

CONTRIBUTION TABLE

FOR THE YEAR ENDED JUNE 30, 2017

| For the year ended June 30, 2017 | | | | | | For the period from August 04, 2016 to June 30, 2017 | | Total | For the year ended June 30, 2016 |
|----------------------------------|------------------|---------------|------------------|-----------------------|------------------|--|------------------|------------------|----------------------------------|
| Equity sub fund | | Debt sub fund | | Money Market sub fund | | Gold sub fund | | | Total |
| Units | (Rupees in '000) | Units | (Rupees in '000) | Units | (Rupees in '000) | Units | (Rupees in '000) | (Rupees in '000) | (Rupees in '000) |

Contribution net of front end fee for the year

Individuals

- issuance of units

| | | | | | | | | | |
|------------------|------------------|------------------|------------------|------------------|----------------|----------------|---------------|------------------|------------------|
| <u>3,311,992</u> | <u>1,946,437</u> | <u>4,872,855</u> | <u>1,027,564</u> | <u>2,095,565</u> | <u>437,479</u> | <u>554,253</u> | <u>55,868</u> | <u>3,467,348</u> | <u>2,422,015</u> |
|------------------|------------------|------------------|------------------|------------------|----------------|----------------|---------------|------------------|------------------|

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Pension Fund Manager)



Mohammad Shoaib, CFA
Chief Executive



Mazhar Sharif
Director




NUMBER OF UNITS IN ISSUE FOR THE YEAR ENDED JUNE 30, 2017

| For the year ended June 30 , 2017 | | | For the period from August 04, 2016 to June 30, 2017 | |
|--|------------------|-----------------------------|---|----------------|
| Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | |
| (Number of units) | | | | |
| Total units in issue at beginning of the year | 8,332,830 | 9,768,041 | 2,230,504 | - |
| Add: Units issued / converted / reallocated during the year | 3,311,992 | 4,872,855 | 2,095,565 | 554,253 |
| Less: Units redeemed / converted / reallocated during the year | (1,842,317) | (2,939,647) | (1,202,209) | (76,895) |
| Total units in issue at the end of the year | <u>9,802,505</u> | <u>11,701,249</u> | <u>3,123,860</u> | <u>477,358</u> |

| For the year ended June 30 , 2016 | | | |
|--|------------------|-----------------------------|------------------|
| Equity sub fund | Debt sub fund | Money Market sub fund | |
| (Number of units) | | | |
| Total units in issue at beginning of the year | 6,576,270 | 7,146,942 | 1,729,099 |
| Add: Units issued / converted / reallocated during the year | 3,082,761 | 4,000,911 | 1,123,586 |
| Less: Units redeemed / converted / reallocated during the year | (1,326,201) | (1,379,812) | (622,181) |
| Total units in issue at the end of the year | <u>8,332,830</u> | <u>9,768,041</u> | <u>2,230,504</u> |

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For AI Meezan Investment Management Limited
(Pension Fund Manager)**


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 Tahaffuz Pension Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as Pension Fund Manager and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed and approved by the Securities and Exchange Commission of Pakistan on May 30, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). The registered office of the Pension Fund Manager of the Fund, is situated at Ground Floor, Block B Finance and Trade Centre Sarah-e-Faisal, Karachi 74400, Pakistan.

The Fund offers a saving mechanism where an individual saves from his / her income during work life in order to retain financial security and comfort in terms of regular income stream after retirement. The Fund comprises of four Shariah compliant sub funds namely Equity Sub-Fund, Debt Sub-Fund, Money Market Sub-Fund and Gold Sub-Fund (collectively the "Sub-Funds"). Participants are offered various investment allocation schemes depending on their investment horizon, return requirements, risk tolerance and any unique circumstances. The Fund offers six types of allocation schemes to the contributors of the Fund namely High Volatility, Medium Volatility, Low Volatility, Lower Volatility, Variable Volatility and Life Cycle Allocation. The participants of the Fund voluntarily determine the contribution amount, subject to the minimum limit fixed by the Pension Fund Manager. Allocation scheme can be selected initially at the time of opening of account and subsequently the allocation and percentages may change twice in a financial year. The contributions from participants are invested in various instruments belonging to different asset classes to get full benefits of risk minimization through diversification.

1.2 Summary of significant investment policy for each of the Sub-Fund is as follows:

- The Equity Sub-Fund shall invest atleast 90% of its net assets in listed equity securities based on quarterly average investment calculated on daily basis. Investment in listed shares of a single company shall not exceed 10% of net assets or paid-up capital of the investee company, whichever is lower. Surplus funds may be invested in Government Securities with maturity of less than one year or deposits with Banks which are rated not less than "A".
- The Debt Sub-Fund shall consist of debt securities with maturity of not more than 5 years. At least 25 % of net assets of the Debt Sub-Fund shall be invested in debt securities issued by the Federal Government and up to 25 % of net assets of Debt Sub-Fund may be deposited with Banks having not less than "AA Plus" rating. However, if such debt securities issued by Federal Government are not available, the assets of Debt Sub-Fund may be deposited in Islamic Commercial Banks, having not less than "A+" rating or Islamic windows of conventional commercial Banks, having not less than "AA" rating or may be invested in Islamic bonds or Sukuks issued by entities wholly-owned by the Federal Government or in such Islamic securities which are fully guaranteed by the Federal Government.
- The Money Market Sub-Fund consists of short term debt instruments with weighted average maturity upto one year. Money Market Sub-Fund can invest in shariah compliant government securities where the time to maturity may be upto three years.
- The Gold Sub Fund consist of physical gold and aim to provide opportunities of capital appreciation and maximum exposure to price of gold in a Shariah Compliant manner, by investing a significant portion of net assets in deliverable gold base contracts available on Pakistan Mercantile Exchange (PMEX).

1.3 The Fund has been formed to enable the participants to contribute 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 Pension Fund Manager has appointed Meezan Bank Limited as its Shariah advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.



- 1.4 The Fund is an unlisted pension scheme. Units are offered for public subscription on a continuous basis. The units are non-transferable and can be redeemed by surrendering them to the Fund at the option of the participants.
- 1.5 Title to the assets of the Sub Funds are held in the name of CDC as a trustee of the Fund.
- 1.6 JCR-VIS Credit Rating Company Limited has assigned management quality rating of 'AM1' to the Pension Fund Manager.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the provisions of the Voluntary Pension System Rules, 2005 (the VPS Rules) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the VPS Rules or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the VPS Rules or the directives issued by the SECP shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the Pension Fund Manager 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 3.1.1);
- b) Impairment of financial instruments (note 3.1.7);
- c) Provision (note 3.4)

2.5 Adoption of new standards, amendments and interpretations to the published approved accounting standards:

2.5.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception

Effective from accounting period beginning on or after January 01, 2016

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

The amendments apply retrospectively.

Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations

Effective from accounting period beginning on or after January 01, 2016

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Entities should apply the amendments prospectively.

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative

Effective from accounting period beginning on or after January 01, 2016

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

- In the other comprehensive income, section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following terms:
 - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be 'reclassified subsequently to profit or loss; and
 - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 ' Intangible Assets' - Clarification of acceptable methods of depreciation and amortization **Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold mine until the total cumulative revenue from the sale of goods reaches CU 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

The amendments apply prospectively.

Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants **Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

On the initial application of the amendments, entities are permitted to use the fair value of the items of bearer plants as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

Amendments to IAS 27 'Separate Financial Statements' - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements **Effective from accounting period beginning on or after January 01, 2016**

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or
- Using the method as described in IAS 28 Investments in Associates and Joint ventures.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The amendments apply retrospectively.

Certain annual improvements have also been made to a number of IFRSs.

2.5.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| | |
|---|--|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | Effective from accounting period beginning on or after January 01, 2018 |
|---|--|

The amendments relate to the following areas :

- The accounting for the effects of vesting conditions on cash-settled share-based payment transactions;
- The classification of share-based payment transactions with net settlement features for withholding tax obligations; and
- The accounting for A modification to The terms and conditions of A share-based payment that changes The transactions from cash-settled to equity-settled.

| | |
|--|---|
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier adoption is permitted. |
|--|---|

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity are recognised



in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associated or joint venture.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with earlier application permitted.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative **Effective from accounting period beginning on or after January 01, 2017**

The amendments are part of the IASB's Disclosure Initiative project and introduce additional disclosure requirements intended to address investors' concerns that financial statements do not currently enable them to understand the entity's cash flows; particularly in respect of the management of financing activities.

The amendments require disclosure of information enabling users financial statements to evaluate changes in liabilities arising from financing activities. The amendments do not define financing activities, instead they clarify that financing activities are based on the existing definition used in IAS 7.

Although there is no specific format required to comply with the new requirements, the amendments include illustrative examples to show how an entity can meet the objective to these amendments.

The amendments are to be applied prospectively. Entities are not required to present comparative information for earlier periods.

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses **Effective from accounting period beginning on or after January 01, 2017**

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that: - The carrying amount of an assets does not limit the estimation of probable future taxable profits; and that - when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are to be applied retrospectively.

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property **Effective from accounting period beginning on or after January 01, 2018**

The amendments clarify that a transfer to or from, investment property necessitates an assessment of whether a property meets or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.

The amendments further clarify that situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative

Effective from accounting period beginning on or after January 01, 2018

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application."

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

Effective from accounting period beginning on or after January 01, 2019

The Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

Transition: Either full retrospective application or modified retrospective application without restatement of comparatives.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 - Insurance Contracts

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 applied consistently 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) Investments 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.

(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 expensed immediately.

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

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

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

Basis of valuation of government securities:

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

Basis of valuation of equity securities:

The fair value of shares of listed companies is based on their prices quoted on the Pakistan 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 Investment in gold:

Investment in gold is initially recognized at fair value less cost to sell. Subsequent to initial recognition, these are measured at fair value (spot rate fixed by Pakistan Mercantile Exchange) less cost to sell. Gain or loss arising from changes in fair value less cost to sell are recognized in the income statement in the period of change.

3.1.7 Impairment

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

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.

3.1.8 Derecognition

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

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

3.1.9 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the Balance Sheet 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 Participants' fund

Participants' fund representing the units issued by the Fund, are carried at the net asset value representing the investors' right to a residual interest in the Fund's net assets.

3.3 Issuance, allocation, reallocation and redemption of units

Contribution received in the individual pension account after deduction of takaful premium, if any, followed by front end fee, is used to purchase the units of sub-funds of the fund according to the allocation scheme selected by the participant. The units are allotted at the net asset value notified by the Pension Fund Manager at the close of that dealing day (forward pricing) for each sub-fund, when the contribution is realized. The front end fee is payable to the distributors and the Pension Fund Manager.

The Pension Fund Manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocations of the sub-fund units of all the participants are according to the allocation schemes selected by the participants.

Withdrawals made are used to redeem units of the sub-funds of the fund, according to the allocation scheme of the participant, at the net asset value prevalent on the date on which the distributors receive redemption application during business hours on that date.

3.4 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.

3.5 Net assets value per unit of each sub-fund

The net assets value (NAV) per unit, as disclosed on the Balance Sheet, is calculated by dividing the net assets of each sub-fund by the number of units in issue at year end.

3.6 Taxation

The income of the Fund is exempt from income tax under clause 57(3)(viii) of part I of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision in respect of taxation has been made in these financial statements.

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.

3.7 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement 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 balances and term deposits are recognised on time proportion basis using effective yield method.
- (iv) Income on sukuk certificates, placements and government securities is recognised on time proportion basis using the effective yield except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by SECP for which the profits are recorded on cash basis.
- (v) Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss' are included in the 'income statement' in the period in which they arise.

3.8 Expenses

All expenses, including remuneration of the Pension Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement as and when incurred.

3.9 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.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet 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.



3.11 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.

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 participants' funds in a separate account. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.12 Distribution

Distribution of dividend or bonus units is not allowed under the VPS Rules 2005.

| Note | 2017 | | | | | 2016 |
|-------------------------|------------------|----------------|-----------------------|---------------|------------------|----------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| 4. BANK BALANCES | (Rupees in '000) | | | | | |
| Current accounts | 818 | - | - | - | 818 | 1,676 |
| Saving accounts | 354,536 | 744,190 | 378,663 | 5,995 | 1,483,384 | 541,851 |
| | 355,354 | 744,190 | 378,663 | 5,995 | 1,484,202 | 543,527 |

4.1 The balance in saving accounts carry expected profit which ranges from 2.00% to 6.10% (2016: 2.50% to 6.20%) per annum.

| Note | 2017 | | | | | 2016 |
|---|------------------|------------------|-----------------------|----------------|------------------|------------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| 5. INVESTMENTS | (Rupees in '000) | | | | | |
| At fair value through profit or loss | | | | | | |
| - held-for-trading | | | | | | |
| - shares of listed companies | 5.1 | 5,428,403 | - | - | 5,428,403 | 3,962,500 |
| - sukuk certificates | 5.2 | - | 1,347,199 | 282,624 | 1,629,823 | 1,206,750 |
| | | 5,428,403 | 1,347,199 | 282,624 | 7,058,226 | 5,169,250 |
| Investments designated at 'fair value through profit or loss upon initial recognition' | | | | | | |
| -sukuk certificates | 5.3 | - | 26,520 | - | 26,520 | 51,897 |
| Loans and receivables | | | | | | |
| -sukuk certificates | 5.5 | - | - | - | - | 50,000 |
| -term deposits | 5.5 | - | 430,000 | - | 430,000 | 626,000 |
| Investment in gold | 5.6 | - | - | - | 37,419 | - |
| | | 5,428,403 | 1,803,719 | 282,624 | 37,419 | 7,552,165 |
| | | | | | | 5,897,147 |

5.1 'Held for trading' - shares of listed companies

| Name of the investee company | As at July 01, 2016 | Purchases during the year | Cost of purchase during the year | Bonus / rights issue during the year | 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 net assets on the basis of market value of the respective sub fund (see note 5.1.2 below) | Percentage of paid-up capital of investee company |
|--|--------------------------|---------------------------|----------------------------------|--------------------------------------|-----------------------|---------------------|------------------------------------|----------------------------------|--|---|---|
| | ---(Number of shares)--- | (Rupees in '000) | (Rupees in '000) | ------(Number of shares)----- | (Rupees in '000) | (Rupees in '000) | (Rupees in '000) | (Rupees in '000) | % | % | |
| Equity Sub Fund | | | | | | | | | | | |
| Sector / companies | | | | | | | | | | | |
| Automobile assembler | | | | | | | | | | | |
| Indus Motor Company Limited | 60,605 | - | - | - | 45,000 | 15,605 | 14,662 | 27,989 | 13,327 | 0.48 | 0.02 |
| Pak Suzuki Motor Company Limited | 2,733 | - | - | - | 2,733 | - | - | - | - | - | - |
| Honda Atlas Cars Pakistan Limited | 165,300 | 148,300 | 89,673 | - | 40,100 | 273,500 | 133,676 | 237,313 | 103,637 | 4.09 | 0.19 |
| Millat Tractors Limited | 14,450 | - | - | - | 14,450 | - | - | - | - | - | - |
| | | | | | | | | | | 4.57 | 0.21 |
| Automobile Parts and Accessories | | | | | | | | | | | |
| Thal Limited (note 5.1.1) | 60,345 | 35,000 | 14,825 | - | 95,345 | - | - | - | - | - | - |
| Cable and Electrical Goods | | | | | | | | | | | |
| Pak Elektron Limited | 1,354,000 | 275,000 | 19,829 | - | 300,000 | 1,329,000 | 87,593 | 146,615 | 59,022 | 2.53 | 0.33 |
| Cement | | | | | | | | | | | |
| D.G Khan Cement Company Limited | 887,900 | 260,000 | 55,259 | - | 205,000 | 942,900 | 184,755 | 200,989 | 16,234 | 3.46 | 0.22 |
| Lucky Cement Limited | 419,906 | 154,000 | 122,583 | - | 63,800 | 510,106 | 352,926 | 426,581 | 73,655 | 7.35 | 0.16 |
| Fauji Cement Company Limited | 5,104,500 | 150,000 | 5,850 | - | 3,601,000 | 1,653,500 | 59,395 | 67,843 | 8,448 | 1.17 | 0.12 |
| Cherat Cement Company Limited | 1,156,000 | 20,000 | 3,800 | - | 390,000 | 786,000 | 95,391 | 140,521 | 45,130 | 2.42 | 0.44 |
| Pioneer Cement Company Limited | 1,309,000 | 378,400 | 44,342 | - | 117,300 | 1,570,100 | 172,263 | 204,113 | 31,850 | 3.52 | 0.69 |
| Maple Leaf Cement Factory Limited | - | 832,500 | 85,758 | - | 365,000 | 467,500 | 49,504 | 52,061 | 2,557 | 0.90 | 0.09 |
| Kohat Cement Company Limited | 516,400 | 70,000 | 19,750 | - | 150,000 | 436,400 | 115,808 | 100,049 | (15,759) | 1.72 | 0.28 |
| Dewan Cement Limited | - | 4,166,500 | 141,811 | - | 4,166,500 | - | - | - | - | - | - |
| Pakcem Limited (formerly Lafarge Pakistan) | 400,000 | - | - | - | 400,000 | - | - | - | - | - | - |
| | | | | | | | | | | 20.54 | 2.00 |
| Chemical | | | | | | | | | | | |
| Engropolymer and Chemicals Limited | - | 1,350,000 | 42,528 | - | 200,000 | 1,150,000 | 36,360 | 41,975 | 5,615 | 0.72 | - |
| ICI Pakistan Limited | 136,470 | 42,000 | 37,070 | - | 25,000 | 153,470 | 85,828 | 167,981 | 82,153 | 2.89 | 0.17 |
| Sitara Chemical Industries Limited | 74,700 | - | - | - | 38,100 | 36,600 | 13,322 | 16,273 | 2,951 | 0.28 | 0.17 |
| Akzo Nobel Pakistan Limited | 1,500 | - | - | - | 1,500 | - | - | - | - | - | - |
| Ghani Gases Limited | 1,071,440 | - | - | - | 1,071,440 | - | - | - | - | - | - |
| | | | | | | | | | | 3.89 | 0.34 |
| Engineering | | | | | | | | | | | |
| K.S.B Pumps Company Limited | 141,500 | - | - | - | 10,000 | 131,500 | 32,040 | 41,423 | 9,383 | 0.71 | 1.00 |
| Amreli Steels Limited | 625,000 | 300,000 | 24,908 | - | 700,000 | 225,000 | 13,932 | 27,664 | 13,732 | 0.48 | 0.08 |
| Crescent Steel & Allied Products Limited | 441,500 | 363,100 | 88,461 | - | 492,200 | 312,400 | 75,556 | 74,529 | (1,027) | 1.28 | 0.40 |
| International Steels Limited | - | 800,000 | 107,616 | - | 575,000 | 225,000 | 30,267 | 28,775 | (1,492) | 0.50 | 0.05 |
| International Industries Limited | - | 222,500 | 64,527 | - | - | 222,500 | 64,527 | 82,007 | 17,480 | 1.41 | 0.19 |
| | | | | | | | | | | 4.38 | 1.72 |
| Fertilizer | | | | | | | | | | | |
| Fauji Fertilizer Company Limited | 598 | - | - | - | 598 | - | - | - | - | - | - |
| Engro Corporation Limited (note 5.1.3) | 988,300 | 556,400 | 191,045 | - | 80,000 | 1,464,700 | 493,528 | 477,360 | (16,168) | 8.22 | 0.28 |
| Engro Fertilizers Limited | 3,012,000 | 1,150,000 | 79,346 | - | 850,000 | 3,312,000 | 217,944 | 182,955 | (34,989) | 3.15 | 0.25 |
| Dawood Hercules Corporation Limited | 473,400 | 140,000 | 21,724 | - | 9,500 | 603,900 | 90,777 | 82,348 | (8,429) | 1.42 | 0.13 |
| | | | | | | | | | | 12.79 | 0.66 |
| Food and Personal Care Products | | | | | | | | | | | |
| Engro Foods Limited | 12,500 | 742,100 | 117,529 | - | 452,500 | 302,100 | 52,744 | 36,702 | (16,042) | 0.63 | 0.04 |
| National Foods Limited | - | 47,000 | 17,517 | - | - | 47,000 | 17,517 | 12,737 | (4,780) | 0.22 | 0.09 |
| Al-Shaheer Corporation Limited (note 11) | 2,022,400 | 130,000 | - | 113,760 | 2,233,000 | 33,160 | 1,569 | 1,330 | (239) | 0.02 | 0.02 |
| | | | | | | | | | | 0.87 | 0.15 |
| Oil and Gas Exploration Companies | | | | | | | | | | | |
| Oil and Gas Development Company Limited | 900,800 | 1,244,100 | 201,274 | - | 50,000 | 2,094,900 | 318,389 | 294,731 | (23,658) | 5.08 | 0.05 |
| Pakistan Oilfields Limited | 65,050 | 395,000 | 192,157 | - | 91,000 | 369,050 | 173,514 | 169,080 | (4,434) | 2.91 | 0.16 |
| Pakistan Petroleum Limited | 730,657 | 197,000 | 35,209 | - | 291,000 | 636,657 | 102,048 | 94,314 | (7,734) | 1.62 | 0.03 |
| Mari Petroleum Company Limited | 202,200 | 43,200 | 57,603 | - | 40,000 | 205,400 | 202,242 | 323,636 | 121,394 | 5.57 | 0.19 |
| | | | | | | | | | | 15.18 | 0.43 |
| Oil and Gas Marketing Companies | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 554,133 | 25,000 | 9,922 | - | 146,000 | 433,133 | 163,036 | 167,774 | 4,738 | 2.89 | 0.16 |
| Attock Petroleum Limited | 34,120 | - | - | - | - | 34,120 | 14,929 | 21,374 | 6,445 | 0.37 | 0.04 |
| Sui Northern Gas Pipelines Limited | - | 4,203,000 | 386,893 | - | 2,403,000 | 1,800,000 | 244,983 | 268,056 | 23,073 | 4.62 | 0.28 |
| Sui Southern Gas Company Limited | - | 500,000 | 20,709 | - | 500,000 | - | - | - | - | - | - |
| Shell Pakistan | - | 10,000 | 6,066 | - | 10,000 | 6,066 | 6,066 | 5,754 | (312) | 0.10 | 0.01 |
| Hascol Petroleum Limited | 70,600 | 21,700 | 5,434 | - | 88,000 | 4,300 | 1,052 | 1,467 | 415 | 0.03 | 0.00 |
| Hi-tech Lubricants | - | 425,000 | 50,364 | - | 130,000 | 295,000 | 35,307 | 32,158 | (3,149) | 0.55 | 0.25 |
| | | | | | | | | | | 8.56 | 0.74 |
| Paper and Board | | | | | | | | | | | |
| Packages Limited | 455,801 | - | - | - | 25,000 | 430,801 | 274,084 | 299,657 | 25,573 | 5.16 | 0.49 |
| Cherat Packaging Limited | 141,000 | - | - | - | - | 141,000 | 48,190 | 33,527 | (14,663) | 0.58 | 0.48 |
| | | | | | | | | | | 5.74 | 0.97 |
| Pharmaceuticals | | | | | | | | | | | |
| Abbott Laboratories (Pakistan) Limited | 107,300 | 52,000 | 45,450 | - | 24,750 | 134,550 | 107,024 | 125,750 | 18,726 | 2.17 | 0.14 |
| Glaxosmithkline Pakistan Limited | - | 194,000 | 47,351 | - | 194,000 | - | - | - | - | - | - |
| Ferozsons Laboratories Limited | 70,850 | 40,000 | 34,000 | - | 110,850 | - | - | - | - | - | - |
| The Searle Company Limited (note 11) | 171,010 | 98,000 | 58,806 | 43,436 | 10,000 | 302,446 | 145,757 | 154,846 | 9,089 | 2.67 | 0.22 |
| Highnoon Laboratories Limited (note 11) | 42,744 | - | - | 635 | 37,450 | 5,929 | 3,051 | 3,713 | 662 | 0.06 | 0.03 |
| | | | | | | | | | | 4.90 | 0.39 |



| Name of the investee company | As at July 01, 2016 | Purchases during the year | Cost of purchase during the year | Bonus / rights issue during the year | 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 net assets on the basis of market value of the respective sub fund (see note 5.1.2 below) | Percentage of paid-up capital of investee company |
|--|----------------------------|---------------------------|----------------------------------|--------------------------------------|--------------------------------|---------------------|------------------------------------|----------------------------------|--|---|---|
| | --- (Number of shares) --- | | (Rupees in '000) | | ----- (Number of shares) ----- | | ----- (Rupees in '000) ----- | | | ----- % ----- | |
| Power Generation & Distribution | | | | | | | | | | | |
| The Hub Power Company Limited | 1,905,845 | 442,200 | 55,940 | - | 426,300 | 1,921,745 | 233,206 | 225,671 | (7,535) | 3.89 | 0.17 |
| Kot Addu Power Company Limited | 488,000 | - | - | - | 488,000 | - | - | - | - | - | - |
| K-Electric Limited (note 5.1.1) | 16,829,500 | 11,577,500 | 102,143 | - | 3,638,500 | 24,768,500 | 207,641 | 170,903 | (36,738) | 2.94 | 0.26 |
| | | | | | | | | | | 6.83 | 0.43 |
| Refinery | | | | | | | | | | | |
| Attock Refinery Limited | 105,000 | 100,000 | 37,208 | - | 52,000 | 153,000 | 49,983 | 58,535 | 8,552 | 1.01 | 0.18 |
| National Refinery Limited | - | 95,000 | 78,913 | - | - | 95,000 | 78,913 | 68,969 | (9,944) | 1.19 | 0.12 |
| | | | | | | | | | | 2.20 | 0.30 |
| Textile Composite | | | | | | | | | | | |
| Nishat Mills Limited | - | 585,000 | 83,581 | - | 416,500 | 168,500 | 24,703 | 26,738 | 2,034 | 0.46 | 0.05 |
| Kohinoor Textile Mills Limited | 93,500 | - | - | - | 93,500 | - | - | - | - | - | - |
| | | | | | | | | | | 0.46 | 0.05 |
| Glass & Ceramics | | | | | | | | | | | |
| Tariq Glass Industries Limited | 1,500 | - | - | - | 1,500 | - | - | - | - | - | - |
| Miscellaneous | | | | | | | | | | | |
| Shifa International Hospitals Limited | 92,360 | - | - | - | 81,400 | 10,960 | 3,289 | 3,617 | 328 | 0.06 | 0.02 |
| Total | | | 2,904,774 | | | | 4,929,291 | 5,428,403 | 499,111 | | |

5.1.1 All shares have a nominal value of Rs. 10 each except Thal Limited having nominal value of Rs. 5 and K-Electric Limited having nominal value of Rs. 3.50.

5.1.2 Net asset values are as defined in Rule 2(1)(m) of VPS Rules.

5.1.3 145,000 shares (2016: 126,000 shares of Engro Corporation Limited having market value of Rs. 47.26 million as at June 30, 2017 (2016: Rs 39.95 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

5.2 'Held-for-trading' - sukuk certificates

| Name of the security | Maturity date | Profit rate per annum | As at July 01, 2016 | Purchases during the year | Cost of purchase during the year | Sales during the year | Maturity during the year | As at June 30, 2017 | Carrying value as at June 30, 2017 | Market value as at June 30, 2017 | Unrealised gain as at June 30, 2017 | Percentage of net assets on the basis of market value of the respective sub fund (see note 5.1.2) |
|---------------------------------------|-------------------|--------------------------------|------------------------|---------------------------|----------------------------------|-----------------------|------------------------------------|---------------------|------------------------------------|----------------------------------|-------------------------------------|---|
| | | | Number of certificates | | (Rupees in '000) | | ----- Number of certificates ----- | | ----- (Rupees in '000) ----- | | | ----- (%) ----- |
| Debt Sub Fund | | | | | | | | | | | | |
| GoP - Ijarah sukuk XVI (note 5.2.1) | December 18, 2018 | Expected profit rate is 5.51 % | 3,780 | - | - | - | - | 3,780 | 380,986 | 385,522 | 4,536 | 15.35 |
| GoP - Ijarah sukuk XVII (note 5.2.1) | February 15, 2019 | Expected profit rate is 6.1 % | 6,620 | - | - | - | - | 6,620 | 672,526 | 681,397 | 8,871 | 27.14 |
| GoP - Ijarah sukuk XVIII (note 5.2.1) | March 29, 2019 | Expected profit rate is 5.59 % | 250 | 2,500 | 252,660 | - | - | 2,750 | 277,710 | 280,280 | 2,570 | 11.16 |
| Total | | | | | 252,660 | | | | 1,331,222 | 1,347,199 | 15,977 | |
| Money Market Sub Fund | | | | | | | | | | | | |
| GoP - Ijarah sukuk XVI (note 5.2.1) | December 18, 2018 | Expected profit rate is 5.51 % | 1,040 | - | - | - | - | 1,040 | 104,822 | 106,070 | 1,248 | 16.00 |
| GoP - Ijarah sukuk XVII (note 5.2.1) | February 15, 2019 | Expected profit rate is 6.1 % | 230 | - | - | - | - | 230 | 23,366 | 23,674 | 308 | 3.57 |
| GoP - Ijarah sukuk XVIII (note 5.2.1) | March 29, 2019 | Expected profit rate is 5.59 % | - | 1,500 | 15,150 | - | - | 1,500 | 151,505 | 152,880 | 1,375 | 23.07 |
| Total | | | | | 15,150 | | | | 279,693 | 282,624 | 2,931 | |

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

5.3 Investments 'at fair value through profit or loss upon initial recognition' - sukuk certificates

| Name of the security | Maturity date | Profit rate per annum | As at July 01, 2016 | Purchases during the year | Cost of purchase during the year | Sales during the year | As at June 30, 2017 | Carrying value as at June 30, 2017 | Market value as at June 30, 2017 | Unrealised gain as at June 30, 2017 | Percentage of net assets on the basis of market value (see note 5.1.2) |
|--|---------------------------------|--|------------------------|---------------------------|----------------------------------|-----------------------|---------------------|------------------------------------|----------------------------------|-------------------------------------|--|
| | | | Number of certificates | (Rupees in '000) | Number of certificates | (Rupees in '000) | (%) | | | | |
| Debt Sub Fund | | | | | | | | | | | |
| Eden Housing Limited (note 5.3.2.1) | September 29, 2014 | 3 months Kibor plus base rate of 2.5% | 500 | - | - | - | 500 | - | - | - | - |
| Security Leasing Corporation Limited II | January 19, 2022 (note 5.3.2.3) | - | 154 | - | - | - | 154 | - | - | - | - |
| K-Electric Limited - II | March 19, 2017 | 3 months Kibor plus base rate of 2.25% | 10,400 | - | - | 10,400 | - | - | - | - | - |
| Fatima Fertilizer Company Limited (note 5.3.2.2) | November 6 28, 2021 | months Kibor plus base rate of 1.10% | - | 5,640 | 28,200 | - | 5,640 | 25,380 | 26,520 | 1,140 | 1.06 |
| Total | | | | 28,200 | | | 6,294 | 25,380 | 26,520 | 1,140 | |
| Money Market Sub Fund | | | | | | | | | | | |
| Security Leasing Corporation Limited II (note 5.3.2.2 & 5.3.2.3) | January 19, 2022 | - | 154 | - | - | - | 154 | - | - | - | - |
| Total | | | | - | | | - | - | - | - | |

5.3.2.1 The principal buy out reduces the face value per certificate instead of number of certificates. The face value of the sukuk certificates of Eden Housing Limited is Rs.984.38 each.

5.3.2.2 The nominal value of sukuk certificates of Fatima Fertilizer Company limited is Rs.5,000 each. The unredeemed face value of these certificates as at June 30, 2017 is Rs.4,500 each.

5.3.2.3 The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore, in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy, amount of Rs. 77 million in both debt sub fund and money market sub fund has also been held as provision against the outstanding principal as at June 30, 2017.

On May 6, 2011, Eden Housing sukuk certificates have been classified as non-performing by MUFAP. Therefore, in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 0.492 million has also been held as provision against the outstanding principal as at June 30, 2017.



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

| Name of Non-Compliant Investment | Type of investments | Value of investment before provision | Provision held (if any) | Value of investment after provision |
|---|-------------------------------|--------------------------------------|-------------------------|-------------------------------------|
| (Rupees in '000) | | | | |
| Debt Sub Fund | | | | |
| Eden Housing Limited | Non-traded sukuk certificates | 492 | 492 | - |
| Security Leasing Corporation Limited II | Non-traded sukuk certificates | 771 | 771 | - |
| | | 1,263 | 1,263 | - |
| Money Market Sub Fund | | | | |
| Security Leasing Corporation Limited II | Non-traded sukuk certificates | 771 | 771 | - |

5.3.2.5 Provision / (reversal) on sukuk certificates

| | 2017 (Rupees in '000) | 2016 |
|-------------------------------------|--------------------------|--------------|
| Debt Sub Fund | | |
| Opening | 1,263 | 1,271 |
| Reversal against Sukuk certificates | - | (8) |
| Closing | 1,263 | 1,263 |
| Money Market Sub Fund | | |
| Opening | 771 | 771 |
| Reversal against Sukuk certificates | - | - |
| Closing | 771 | 771 |

5.4 Unrealised appreciation / (diminution) on re-measurement of investment classified as 'available for sale' (net)

| | 2017 (Rupees in '000) | 2016 |
|--|--------------------------|--------------|
| Debt Sub Fund | | |
| Market value of investment | - | - |
| Less: Cost of investments | - | - |
| Unrealised appreciation on re-measurement of investments classified as 'available for sale' (net) at beginning of the year | - | (395) |
| | - | (395) |

| 5.5 Loans and receivables | Note | 2017 (Rupees in '000) | 2016 |
|----------------------------------|-------------|--------------------------|----------------|
| Debt Sub Fund | | | |
| Sukuk certificates | 5.5.1 | - | 29,000 |
| Term deposits | 5.5.2 | 430,000 | 626,000 |
| | | 430,000 | 655,000 |
| Money Market Sub Fund | | | |
| Sukuk certificates | 5.5.1 | - | 21,000 |
| Term deposits | 5.5.2 | - | - |
| | | - | 21,000 |

5.5.1

| Name of the investee company | Maturity date | Profit rate per annum | As at July 01, 2016 | Purchases during the year | Cost of purchase during the year | Sales during the year | Redemptions / matured during the year | As at June 30, 2017 | Carrying value as at June 30, 2017 | Market value as at June 30, 2017 | Unrealised gain / (loss) as at June 30, 2017 | Percentage of net assets on the basis of market value (see note 5.1.2) |
|------------------------------|---------------|-----------------------|--------------------------|---------------------------|----------------------------------|-----------------------|---------------------------------------|---------------------|------------------------------------|----------------------------------|--|--|
| | | | (Number of certificates) | (Rupees in '000) | (Number of certificates) | (Rupees in '000) | (Rupees in '000) | (%) | | | | |

Debt Sub Fund

| | | | | | | | | | | | | |
|---|-------------------|--|----|---|--------|---|----|---|---|---|---|---|
| Engro Fertilizer Limited (note 5.5.1.1) | November 25, 2016 | 6 months Kibor plus base rate of 0.40% | 29 | - | 29,000 | - | 29 | - | - | - | - | - |
|---|-------------------|--|----|---|--------|---|----|---|---|---|---|---|

Money Market Sub Fund

| | | | | | | | | | | | | |
|---|-------------------|--|----|---|--------|---|----|---|---|---|---|---|
| Engro Fertilizer Limited (note 5.5.1.1) | November 25, 2016 | 6 months Kibor plus base rate of 0.40% | 21 | - | 21,000 | - | 21 | - | - | - | - | - |
|---|-------------------|--|----|---|--------|---|----|---|---|---|---|---|

5.5.1.1 The nominal value of these sukuk of Engro Fertilizer Limited is Rs. 1,000,000 each.

5.5.2

| Name of the Bank | Maturity date | Profit rate per annum | Face Value | | | | Rating | Percentage of net assets value on the basis of total value of investments of the respective sub fund (see note 5.1.2) |
|------------------|---------------|-----------------------|---------------------|------------------------------|-------------------------|---------------------|--------|---|
| | | | As at July 01, 2016 | TDR's placed during the year | Matured during the year | As at June 30, 2017 | | |

Debt Sub Fund

| | | | | | | | | |
|-------------------------------------|--------------------|-------|---------|---------|---------|---------|-----|-------|
| Dubai Islamic Bank Pakistan Limited | September 05, 2017 | 6.10% | 144,000 | 330,000 | 144,000 | 330,000 | AA- | 13.14 |
| Bank Islami Pakistan Limited | September 29, 2016 | 6.52% | 125,000 | - | 125,000 | - | A+ | - |
| Bank Al Falah Limited | September 22, 2016 | 6.05% | 357,000 | - | 357,000 | - | AA+ | - |
| Habib Metropolitan Bank Limited | March 21, 2017 | 6.15% | - | 400,000 | 400,000 | - | AA+ | - |
| Dubai Islamic Bank Pakistan Limited | February 01, 2018 | 5.70% | - | 100,000 | - | 100,000 | AA- | 3.98 |

Total

430,000

Money Market Sub Fund

| | | | | | | | | |
|---------------------------------|----------------|-------|---|--------|--------|---|-----|---|
| Habib Metropolitan Bank Limited | March 21, 2017 | 6.15% | - | 90,000 | 90,000 | - | AA+ | - |
|---------------------------------|----------------|-------|---|--------|--------|---|-----|---|

5.6 Investment in gold

| Commodity | As at July 01, 2016 | Purchases during the year | Sales during the year | As at June 30, 2017 | Carrying value as at June 30, 2017 | Market value as at June 30, 2017 | Unrealised (loss) as at June 30, 2017 | Percentage of net assets value on the basis of total value of investments of the respective sub fund (see note 5.1.2) |
|--------------|---------------------|---------------------------|-----------------------|---------------------|------------------------------------|----------------------------------|---------------------------------------|---|
| Tola Gold | - | 734 | - | 734 | 40,531 | 37,419 | (3,112) | 86.53 |
| Total | | | | | 40,531 | 37,419 | (3,112) | |

5.6.1 The Pakistan Mercantile Exchange (PMEX) delivers refined Gold in 10 TOLA Bars. These are physically held by PMEX under their custody in the vaults of a commercial bank.

5.6.2 The investment in gold has been measured at fair value based on the quoted market price in active market.



6. DEPOSITS AND OTHER RECEIVABLES

| Note | 2017 | | | | | 2016 |
|---|------------------|---------------|-----------------------|---------------|---------------|---------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| | (Rupees in '000) | | | | | |
| Security deposits | 2,600 | 100 | 100 | - | 2,800 | 2,800 |
| Profit receivable on saving accounts with banks and term deposits | 5,835 | 24,050 | 2,606 | 12 | 32,503 | 12,224 |
| Profit receivable on sukuks certificates | - | 19,919 | 2,886 | - | 22,805 | 18,581 |
| Advance tax | 4,747 | - | - | - | 4,747 | - |
| | 13,182 | 44,069 | 5,592 | 12 | 62,855 | 33,605 |

7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - PENSION FUND MANAGER

| | | | | | | | |
|---|-----|--------------|--------------|------------|-----------|---------------|--------------|
| Remuneration of the Pension Fund Manager | 7.1 | 7,268 | 3,096 | 796 | 54 | 11,214 | 7,715 |
| Sindh Sales Tax on remuneration of the Pension Fund Manager | 7.2 | 945 | 402 | 103 | 7 | 1,457 | 1,079 |
| | | 8,213 | 3,498 | 899 | 61 | 12,671 | 8,794 |

7.1 Under the provisions of the Trust Deed the Pension Fund Manager is entitled to an annual management fee not exceeding 1.5% of the net assets of each sub-fund calculated during the year for determining the net asset value of the units of the sub-funds.

7.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Pension Fund Manager 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 (2016: 14 percent) was charged on the remuneration of Pension Fund Manager and sales load.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

8.1 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 of the sub-funds.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2017 is as follows:

Average net asset value

Tariff per annum

| | |
|---|---|
| Amount upto Rs. 1 billion | Rs. 0.3 million or 0.15% p.a of net asset value, whichever is higher |
| Amount exceeding Rs. 1 billion upto Rs. 3 billion | Rs. 1.5 million plus 0.10% p.a of net asset value exceeding Rs. 1 billion |
| Amount exceeding Rs. 3 billion upto Rs. 6 billion | Rs. 3.5 million plus 0.08% p.a of net asset value exceeding Rs. 3 billion |
| Amount exceeding Rs. 6 billion | Rs. 5.9 million plus 0.06% p.a of net asset value exceeding Rs. 6 billion |

8.2 It includes amount payable in respect of Sindh Sales Tax at the rate of 13 percent (June 2016: 14 percent) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee at the rate of one thirtieth of one per cent of the average annual net asset value of the Pension Fund payable to SECP under Rule 36 of VPS Rules.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

| Note | 2017 | | | | | 2016 | |
|--|-----------------|---------------|-----------------------|---------------|-----------|---------------|---------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total | |
| (Rupees in '000) | | | | | | | |
| Provision for Sindh Workers' Welfare Fund | 12 | 38,142 | 4,477 | 976 | - | 43,595 | - |
| Provision for Workers' Welfare Fund | 12 | - | - | - | - | - | 43,443 |
| Federal Excise Duty on remuneration of the Pension Fund Manager | 10.2 | 15,068 | 8,535 | 2,312 | - | 25,915 | 25,915 |
| Sindh Sales tax on Federal Excise Duty on remuneration of the Pension Fund Manager | 10.3 | 1,800 | 962 | 242 | - | 3,004 | 3,004 |
| Charity payable | 10.1 | 2,484 | - | - | - | 2,484 | 2,007 |
| Brokerage payable | | 2,358 | 37 | 3 | - | 2,398 | 49 |
| Custodian charges payable | | - | - | - | 41 | 41 | - |
| Sindh Sales Tax withheld on brokerage | | 22 | - | - | - | 22 | 21 |
| | | 59,874 | 14,011 | 3,533 | 41 | 77,459 | 74,439 |

10.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 2.48 million (2016: Rs. 2.007 million) is outstanding in this regard after making charity payments of Rs 2.01 million (2016: Rs 1.5 million) to renowned charitable institutions. None of the directors of the Pension Fund Manager of the Fund were interested in any of donees.

10.2 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Pension Fund Manager has been applied effective from June 13, 2013. The Pension Fund Manager 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 a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC).

While disposing the above petition, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Paksitan, which is pending for the decision.

Furthermore, the Finance Act 2016, also introduced an amendment to the Fereral Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non- Banking Financial Institutions, which are for already subject to provisional sales tax.

However, since the appeal is pending in Supreme Court of Pakistan, the Pension Fund Manager, as a matter of abundant caution, is carrying provision for FED, aggregating to Rs. 15.068 million, Rs. 8.535 million and Rs. 2.312 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

Had the provision not being made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.26 (2016: Rs. 1.81) per unit, Rs. 0.34 (2016: Rs. 0.87) per unit and Rs. 0.35 (2016: Rs. 1.04) per unit for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively."



- 10.3** It represents amount payable in respect of Sindh Sales Tax at the rate of 13 percent (2016: 14 percent) on remuneration of the Pension Fund Manager through the Sindh Sales Tax on Services Act, 2011, being Sindh Sales Tax accrued on Federal Excise Duty (FED) on remuneration of the Pension Fund Manager as fully explained in note 10.2 above.
- 10.4** The amount of FED and SST accrued on FED on remuneration of the Pension Fund Manager will be paid via Pension Fund Manager to the taxation authorities, if required.

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, 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, Searle Company Limited and Highnoon Laboratories Limited (2016: Al-Shaheer Corporation Limited, Searle Company Limited and Highnoon Laboratories Limited) issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. These have not 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. WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

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

Subsequently, the Ministry of Labor and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled *ab-initio* clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as *ultra vires* the Constitution.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding Collective Investment Schemes (CIS) from the definition of Industrial Establishment, and consequently CIS are no more liable to pay WWF with effect from July 1, 2015.

However, the Finance Act, 2015 does not exclude Voluntary Pension Schemes. Therefore, provision in respect of WWF has been continued.

During the current year, the Supreme Court of Pakistan (SCP) passed a judgement on November 10, 2016, deciding that amendments made through the Finance Acts are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgement, which is pending adjudication."

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, 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, and thus SWWF is payable by them. MUFAP has taken up the matter with Sindh Finance Ministry for appropriate resolution of the matter.

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, decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF would continue.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following effective from January 12, 2017:

- Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan: and
- As an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017 recorded provision of SWWF from May 21, 2015.

Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2017 would have been higher by Rs. 3.89, Rs. 0.38 and Rs. 0.31 per unit for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively.

13. AUDITORS' REMUNERATION

| | 2017 | | | | | 2016 |
|------------------------|------------------|---------------|-----------------------|---------------|------------|-------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| | (Rupees in '000) | | | | | |
| Audit fee | 53 | 53 | 53 | 56 | 215 | 215 |
| Half yearly review | 28 | 28 | 28 | 26 | 110 | 110 |
| Out of pocket expenses | 16 | 16 | 16 | 16 | 64 | 40 |
| | 97 | 97 | 97 | 98 | 389 | 365 |



14. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS AND RELATED PARTIES

14.1 Connected persons and related parties include AI Meezan Investment Management Limited being the Pension Fund Manager, Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Pension Fund Manager, Directors and executives of the Pension Fund Manager, other collective investment schemes managed by the Pension Fund Manager, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Pension Fund Manager due to common directorship, post employment benefit funds of the Pension Fund Manager and unit holders holding ten percent or more of the Sub-Fund's net assets.

14.2 The transactions with connected persons are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.

14.3 Remuneration of the Pension Fund Manager is determined in accordance with the provisions of the provisions of VPS Rules, 2005 and the Trust Deed respectively.

14.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

14.5 Amount outstanding as at year end are as follows

| | 2017 | | | | | 2016 |
|---|-----------------|---------------|-----------------------|---------------|---------|---------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| (Rupees in '000) | | | | | | |
| AI Meezan Investment Management Limited - Pension Fund Manager | | | | | | |
| Remuneration of the Pension Fund Manager | 7,268 | 3,096 | 796 | 54 | 11,214 | 7,715 |
| Sindh Sales Tax on remuneration of the Pension Fund Manager | 945 | 402 | 103 | 7 | 1,457 | 29,998 |
| Investments as at June 30, 2017: (Equity sub fund: 260,077 units; Gold Sub Fund: 300,000) as at June 30, 2016 (Equity sub fund: 260,077 units) | 154,049 | - | - | 27,176 | 181,225 | 127,945 |
| Meezan Bank Limited - Holding company of the Pension Fund Manager | | | | | | |
| Bank balance | 47,119 | 895 | 1,319 | 5,977 | 55,310 | 21,392 |
| Profit receivable on term deposits | - | - | - | - | - | 936 |
| Profit receivable on saving accounts | 579 | 936 | 1 | 12 | 1,528 | 5 |
| Central Depository Company of Pakistan Limited - Trustee | | | | | | |
| Remuneration of the Trustee | 413 | 176 | 45 | 3 | 637 | 500 |
| Sindh Sales Tax on remuneration of the Trustee | 54 | 23 | 6 | - | 83 | 71 |
| Security deposits | 100 | 100 | 100 | - | 300 | 300 |
| Directors and Executives of the Pension Fund Manager | | | | | | |
| Investments as at June 30, 2017: (Equity sub fund: 856,756 units; Debt Sub Fund: 458,511 units; Money Market Sub Fund: 21,137 units; and Gold Sub Fund: 160,905 units) As at June 30, 2016: (Equity sub fund: 743,922 units; Debt sub fund: 470,634 units; and Money Market sub fund: 17,003 units) | 507,474 | 98,392 | 4,485 | 14,576 | 624,927 | 465,663 |

14.6 Details of transactions with connected persons and related parties are as follows:

| | For the year ended June 30, 2017 | | | | | For the year ended June 30, 2016 |
|--|----------------------------------|---------------|-----------------------|---------------|---------|----------------------------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| (Rupees in '000) | | | | | | |
| Al Meezan Investment Management Limited - Pension Fund Manager | | | | | | |
| Remuneration of the Pension Fund Manager | 78,179 | 33,648 | 7,969 | 576 | 120,372 | 77,973 |
| Sindh Sales Tax and Federal Excise Duty on remuneration of the Pension Fund Manager | 10,164 | 4,374 | 1,036 | 75 | 15,649 | 25,138 |
| Units Issued: (Gold sub fund: 300,000 units) | - | - | - | 30,000 | 30,000 | - |
| Meezan Bank Limited - Holding company of the Pension Fund Manager | | | | | | |
| Profit on term deposits | - | - | - | - | - | 7,265 |
| Profit on saving accounts | 2,832 | 326 | 33 | 138 | 3,329 | 663 |
| Central Depository Company of Pakistan Limited - Trustee | | | | | | |
| Remuneration of the Trustee | 4,619 | 1,991 | 471 | 34 | 7,115 | 5,306 |
| Sindh Sales Tax on remuneration of the Trustee | 600 | 259 | 61 | 4 | 924 | 745 |
| CDS charges | 255 | 6 | 6 | - | 267 | 247 |
| Directors and Executives of the Pension Fund Manager | | | | | | |
| Units issued (Equity Sub Fund: 348,865 units; Debt Sub Fund: 171,305 units; Money Market Sub Fund: 8,581 units; Gold sub fund: 181,154 units) | 201,118 | 36,036 | 1,781 | 17,619 | 256,554 | 80,201 |
| Units redeemed / reallocated (Equity Sub Fund: 236,030 units; Debt Sub Fund: 183,428 units; Money Market Sub Fund: 4,447 units; Gold sub fund: 20,249 units) | 135,280 | 39,053 | 930 | 1,858 | 177,121 | 17,927 |

15. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Risk of the Funds is being managed by the Pension 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 VPS Rules and the directives issued by SECP.

Risks managed and measured by the Fund are explained below:

15.1 Market risk

15.1.1 Price risk

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



The Pension Fund Manager'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 participants 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 Pension Fund Manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities, and by complying with the internal risk management policies and regulations laid down in VPS Rules and directives issued by the SECP.

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the Pension Fund Manager.

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

In case of 5% increase / decrease in fair value on June 30, 2017, the net income for the year would increase / decrease by Rs. 279 million (net off SWWF/WWF) (2016: Rs. 202 million) and net assets of the Fund would increase / decrease by the same amount. The sensitivity analysis is based on the Fund's equity security as at the statements of assets and liabilities date with all other variables held constant.

15.1.2 Interest rate risk

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

15.1.3 Currency risk

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

15.2 Credit risk

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

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

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The credit rating wise analysis of investment in debt instruments has been tabulated as follows:

| Rating Agency | 2017 | | | | 2016 | | | | |
|-----------------------|------------------|------------------|-----------------------|----------------|------------------|------------------|-----------------------|----------------|-------------|
| | Debt sub fund | | Money Market sub fund | | Debt sub fund | | Money Market sub fund | | |
| | (Rupees in '000) | % | (Rupees in '000) | % | (Rupees in '000) | % | (Rupees in '000) | % | |
| Government guaranteed | 1,347,199 | 75% | 282,624 | 100% | 1,078,562 | 93% | 128,188 | 86% | |
| AA | JCR-VIS | 26,520 | 1% | - | - | 51,897 | 4% | - | - |
| AA- | PACRA | 430,000 | 24% | - | 0% | 29,000 | 3% | 21,000 | 14% |
| | | 1,803,719 | 100% | 282,624 | 100% | 1,159,459 | 100% | 149,188 | 100% |

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

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

| | Rating agency | 2017 | |
|-----|----------------|------------------|--------------|
| | | (Rs. in '000) | (Percentage) |
| AAA | JCR-VIS, PACRA | 181,561 | 12% |
| AA+ | JCR-VIS, PACRA | 417,729 | 28% |
| AA | JCR-VIS, PACRA | 74,321 | 5% |
| AA- | JCR-VIS, PACRA | 179,347 | 12% |
| A+ | JCR-VIS, PACRA | 631,244 | 43% |
| | | 1,484,202 | 100% |

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 concentration 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) | |
| Financial assets exposed to credit risk | | |
| Bank balances | 1,484,202 | 543,527 |
| Investments | 2,086,343 | 1,934,647 |
| Dividend receivable | 24,606 | 12,078 |
| Deposits and other receivables | 58,108 | 33,605 |
| Receivable against change of plan / change of fund manager | 91,130 | 181,449 |
| | 3,744,389 | 2,705,306 |

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

15.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting participant's early redemptions at any time. The funds investment are considered to be readily realisable.

In accordance with the rule 28 (2) of the VPS Rules, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding ninety days to the extent of fifteen per cent of the net assets value of the Fund. However, no such borrowing has been obtained during the year.

In accordance with the risk management policy of the Fund, the investment committee monitors the liquidity position which is reviewed by the Board of Directors of the Pension Fund Manager.



An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2017 and June 30, 2016 is tabulated below:

| | 2017 | | | | Total |
|---|------------------|------------|----------|--------------------|------------------|
| | Maturity upto | | | More than one year | |
| | Three months | Six months | One year | | |
| | (Rupees in '000) | | | | |
| Payable to Pension Fund Manager | 12,671 | - | - | - | 12,671 |
| Payable to Trustee | 720 | - | - | - | 720 |
| Payable to auditors | 224 | - | - | - | 224 |
| Payable against purchase of investments - net | 23 | - | - | - | 23 |
| Payable against withdrawal / change of plan | 97,934 | - | - | - | 97,934 |
| Accrued expenses and other liabilities | 31,358 | - | - | - | 31,358 |
| Net assets attributable to redeemable units | 9,023,252 | - | - | - | 9,023,252 |
| | 9,166,182 | - | - | - | 9,166,182 |
| | 2016 | | | | |
| | Maturity upto | | | More than one year | Total |
| | Three months | Six months | One year | | |
| | (Rupees in '000) | | | | |
| Payable to Pension Fund Manager | 37,713 | - | - | - | 37,713 |
| Payable to Trustee | 571 | - | - | - | 571 |
| Payable to auditors | 216 | - | - | - | 216 |
| Payable against purchase of investments (net) | 12,724 | - | - | - | 12,724 |
| Payable against withdrawal / change of plan | 19,307 | - | - | - | 19,307 |
| Accrued expenses and other liabilities | 28,968 | - | - | - | 28,968 |
| Net assets attributable to redeemable units | 6,550,023 | - | - | - | 6,550,023 |
| | 6,649,522 | - | - | - | 6,649,522 |

Sensitivity analysis for variable rate instruments

The Fund's interest rate risk arises from the balance in saving accounts and investments in debt securities. The net assets of the Fund will increase / decrease by approximately Rs. 19.56 million (2016: approximately Rs. 26.44 million) if the market interest rates increase / decrease by 100 basis.

Sensitivity analysis for fixed rate instruments

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) | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 2.00% to 6.10% | 1,483,384 | - | - | 818 | 1,484,202 |
| Investments | | | | | | |
| - Held for trading (shares of listed companies) | | - | - | - | 5,428,403 | 5,428,403 |
| - Held for trading (sukuk certificates) | | - | 1,629,823 | - | - | 1,629,823 |
| - Investments designated at fair value through profit or loss upon initial recognition' | | | | | | |
| - Sukuk certificates | KIBOR +2.25% | - | - | 26,520 | - | 26,520 |
| - Loans and receivables | 6.10% to 9.50% | - | - | - | 430,000 | 430,000 |
| Receivable against sale of investments (net) | | - | - | - | - | - |
| Dividend receivable | | - | - | - | 24,606 | 24,606 |
| Receivable against change of plan / change of fund manager / issuance of units | | - | - | - | 91,130 | 91,130 |
| | | 1,483,384 | 1,629,823 | 26,520 | 5,974,957 | 9,114,684 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Pension Fund Manager | | - | - | - | 12,671 | 12,671 |
| Payable to Central Depository Company of Pakistan Limited ' - Trustee | | - | - | - | 720 | 720 |
| Payable to auditors | | - | - | - | 224 | 224 |
| Payable against purchase of investments (net) | | - | - | - | 23 | 23 |
| Payable against withdrawal / change of plan | | - | - | - | 97,934 | 97,934 |
| Accrued expenses and other liabilities | | - | - | - | - | 2,439 |
| | | 2,439 | - | - | 111,572 | 114,011 |
| On-balance sheet gap | | 1,480,945 | 1,629,823 | 26,520 | 5,863,385 | 9,000,673 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - | - |
| Total interest rate sensitivity gap | | 1,480,945 | 1,629,823 | 26,520 | | |
| Cumulative interest rate sensitivity gap | | 1,480,945 | 3,110,768 | 3,137,288 | | |

| As at June 30, 2016 | | | | | | |
|--|---------------------------------------|--|--------------------|---|------------------|------------------|
| Effective yield / interest rate | Exposed to yield / interest rate risk | | | Not exposed to yield / interest rate risk | Total | |
| | Upto three months | More than three months and upto one year | More than one year | | | |
| (Rupees in '000) | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 2.50% to 6.20% | 541,851 | - | - | 1,676 | 543,527 |
| Investments | | | | | | |
| - Held for trading (shares of listed companies) | | - | - | - | 3,962,500 | 3,962,500 |
| - Held for trading (sukuk certificates) | | - | - | 1,206,750 | - | 1,206,750 |
| - Investments designated at fair value through profit or loss upon initial recognition' | | | | | | |
| - Sukuk certificates | KIBOR + 2.25% | - | 51,897 | - | - | 51,897 |
| - Available for sale - sukuk certificates | | - | - | - | - | - |
| - Loans and receivables | 5.55% to 6.71% & KIBOR +0.4% | 626,000 | 50,000 | - | - | 676,000 |
| Receivable against sale of investments (net) | | - | - | - | - | - |
| Dividend receivable | | - | - | - | 12,078 | 12,078 |
| Receivable against change of plan / change of fund manager | | - | - | - | 181,449 | 181,449 |
| | | 1,167,851 | 101,897 | 1,206,750 | 4,157,703 | 6,634,201 |



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) ----- | | | | | |
| Financial liabilities | | | | | |
| Payable to AI Meezan Investment Management Limited - Pension Fund Manager | - | - | - | 37,713 | 37,713 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | - | 571 | 571 |
| Payable to auditors | - | - | - | 216 | 216 |
| Payable against purchase of investments (net) | - | - | - | 12,724 | 12,724 |
| Payable against withdrawal / change of plan | - | - | - | 19,307 | 19,307 |
| Accrued expenses and other liabilities | 28,968 | - | - | - | 28,968 |
| | 28,968 | - | - | 70,531 | 99,499 |
| On-balance sheet gap | 1,138,883 | 101,897 | 1,206,750 | 4,087,172 | 6,534,702 |
| Off-balance sheet financial instruments | - | - | - | - | - |
| Off-balance sheet gap | - | - | - | - | - |
| Total interest rate sensitivity gap | 1,138,883 | 101,897 | 1,206,750 | | |
| Cumulative interest rate sensitivity gap | 1,138,883 | 1,240,780 | 2,447,530 | | |

16. PARTICIPANTS' FUND RISK MANAGEMENT

All units and fractions thereof represent an undivided share in the respective sub-fund and rank pari passu as to their rights in the net assets and earnings of that sub-fund. The relevant movements are shown on the 'statement of movement in participants' sub-funds'.

Each participant has a beneficial interest in the Fund proportionate to the units held by such participant in the respective sub-fund in his individual pension account (IPA). The liability of the participant is limited to the number of units, held by each participant in his IPA. These are only redeemable in case of retirement, premature encashment / redemption, death of the participant, and change of Pension Fund Manager, change of allocation schemes and / or rebalancing of the IPA according to the percentages selected allocation schemes.

In accordance with risk management policies stated in note 15, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet early withdrawal requests, such liquidity being augmented by disposal of investments where necessary.

17. 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.

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 prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

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

The following table presents the assets that are measured at fair value

| 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 |
| ----- (Rupees in '000) ----- | | | | | | | | | | |
| Financial assets - measured at fair value | | | | | | | | | | |
| Investments | | | | | | | | | | |
| - Held-for-trading | | | | | | | | | | |
| | 173 | 5,428,403 | - | - | - | 5,428,403 | - | - | - | 5,428,403 |
| | 173 | 1,629,823 | - | - | - | 1,629,823 | - | 1,629,823 | - | 1,629,823 |
| - Investments designated at fair value through profit or loss upon initial recognition | | | | | | | | | | |
| | 173 | 26,520 | - | - | - | 26,520 | - | 26,520 | - | 26,520 |
| | | 7,084,746 | - | - | - | 7,084,746 | 5,428,403 | 1,656,343 | - | 7,084,746 |
| Financial assets - not measured at fair value | | | | | | | | | | |
| | 173 | - | - | 1,484,202 | - | 1,484,202 | - | - | - | - |
| | 173 | 430,000 | - | - | - | 430,000 | - | - | - | - |
| | 173 | - | - | - | - | - | - | - | - | - |
| | 173 | - | 24,606 | - | - | 24,606 | - | - | - | - |
| | 173 | - | 58,108 | - | - | 58,108 | - | - | - | - |
| | 173 | - | 91,130 | - | - | 91,130 | - | - | - | - |
| | | 430,000 | 173,844 | 1,484,202 | - | 2,088,046 | - | - | - | - |
| Total | | 7,514,746 | 173,844 | 1,484,202 | - | 9,172,792 | 5,428,403 | 1,656,343 | - | 7,084,746 |
| Financial liabilities - not measured at fair value | | | | | | | | | | |
| | 173 | - | - | - | 12,671 | 12,671 | - | - | - | - |
| | 173 | - | - | - | 720 | 720 | - | - | - | - |
| | 173 | - | - | - | 224 | 224 | - | - | - | - |
| | 173 | - | - | - | 23 | 23 | - | - | - | - |
| | 173 | - | - | - | 97,934 | 97,934 | - | - | - | - |
| | 173 | - | - | - | 2,439 | 2,439 | - | - | - | - |
| | | - | - | - | 114,011 | 114,011 | - | - | - | - |

17.1 There were no transfers between above levels during the year.

17.2 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.

17.3 The Fund has not disclosed the fair values for other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

18. PERFORMANCE TABLE

| | For the year ended June 30, 2017 | For the year ended June 30, 2016 | Percentage change | For the year ended June 30, 2015 | For the year ended June 30, 2014 | For the year ended June 30, 2013 |
|--|----------------------------------|----------------------------------|-------------------|----------------------------------|----------------------------------|----------------------------------|
| ----- (Rupees in '000) ----- % ----- (Rupees in '000) ----- | | | | | | |
| EQUITY SUB FUND | | | | | | |
| Net income | 983,882 | 627,422 | 57 | 575,199 | 376,514 | 285,228 |
| Net realised gain on sale of investments | 262,772 | 83,000 | 217 | 33,649 | 63,710 | 31,167 |
| Unrealised appreciation on 're-measurement of investments at 'fair value through profit or loss' (net) | 499,111 | 443,793 | 12 | 413,933 | 208,999 | 167,834 |
| Dividend income | 189,475 | 134,962 | 40 | 83,044 | 49,275 | 28,192 |
| Profit on savings accounts with banks | 10,049 | 5,324 | 89 | 6,048 | 7,659 | 2,825 |
| Transactions in securities | | | - | | | |
| Purchases | 2,904,774 | 3,050,708 | (5) | 1,851,923 | 1,406,804 | 460,631 |
| Sales | 1,937,982 | 2,144,252 | (10) | 2,597,064 | 1,917,077 | 204,999 |
| Total contribution received | - | 1,390,729 | (100) | 1,171,025 | 697,392 | 429,339 |
| Total net asset value | 5,806,229 | 4,099,339 | 42 | 2,740,148 | 1,537,033 | 804,440 |
| Net Asset value per unit (Rs.) | 592.32 | 491.95 | 20 | 416.67 | 329.21 | 248.56 |



| | For the year ended June 30, 2017 | For the year ended June 30, 2016 | Percentage change | For the year ended June 30, 2015 | For the year ended June 30, 2014 | For the year ended June 30, 2013 |
|---|----------------------------------|----------------------------------|-------------------|----------------------------------|----------------------------------|----------------------------------|
| | ----- (Rupees in '000) ----- | | ----- % ----- | ----- (Rupees in '000) ----- | | |
| DEBT SUB FUND | | | | | | |
| Net income | 118,284 | 86,287 | 37 | 86,322 | 74,854 | 48,871 |
| Net realised (loss) / gain on sale of investments | 103 | (4,885) | (102) | (3,568) | 1,442 | 516 |
| Unrealised appreciation / (diminution) on 're-measurement of investments at 'fair value through profit or loss' | 17,117 | 10,943 | 56 | (1,867) | 5,949 | (273) |
| Profit on savings accounts with banks | 14,187 | 15,707 | (10) | 7,077 | 17,696 | 5,098 |
| Profit on Term Deposit Receipts | 39,524 | 17,720 | 123 | 8,147 | - | - |
| Profit on Sukuk Certificates | 75,568 | 66,385 | 14 | 94,122 | 51,853 | 38,267 |
| Transactions in securities | | | | | | |
| Purchases | 1,854,971 | 2,486,333 | (25) | 486,514 | 975,483 | 320,194 |
| Sales | 1,853,828 | 1,853,448 | 0 | 688,797 | 1,368,847 | 78,362 |
| Total contribution received | - | 805,986 | (100) | 642,794 | 588,187 | 450,163 |
| Total net asset value | 11,701,249 | 1,997,375 | 486 | 1,398,572 | 1,047,167 | 640,260 |
| Net Asset value per unit (Rs.) | 214.59 | 204.48 | 5 | 195.69 | 183.87 | 170.66 |
| MONEY MARKET SUB FUND | | | | | | |
| Net income | 27,952 | 17,554 | 59 | 21,721 | 19,295 | 21,818 |
| Net realised gain / (loss) on sale of investments | - | (1,391) | (100) | 67 | 865 | 32 |
| Unrealised appreciation / (diminution) on 're-measurement of investments at 'fair value through profit or loss' | 2,931 | 1,187 | 147 | (82) | 867 | (337) |
| Profit on savings accounts with banks | 15,785 | 10,327 | 53 | 4,801 | 8,875 | 10,125 |
| Profit on Term Deposit Receipts | 2,745 | 1,245 | 120 | - | - | - |
| Profit on Sukuk Certificates | 10,732 | 11,973 | (10) | 24,278 | 15,664 | 14,031 |
| Transactions in securities | | | | | | |
| Purchases | 619,848 | 465,848 | 33 | 160,141 | 432,046 | 245,924 |
| Sales | 489,343 | 603,601 | (19) | 223,907 | 386,348 | 147,008 |
| Total contribution received | - | 225,300 | (100) | 156,548 | 205,019 | 155,935 |
| Total net asset value | 662,819 | 453,309 | 46 | 337,801 | 299,126 | 302,636 |
| Net Asset value per unit (Rs.) | 212.18 | 203.23 | 4 | 195.36 | 182.80 | 171.01 |
| GOLD SUB FUND | | | | | | |
| Net loss | (4,493) | - | - | - | - | - |
| Net realised gain / (loss) on sale of investments | - | - | - | - | - | - |
| Unrealised diminution on 're-measurement of investments at 'fair value through profit or loss' | (3,112) | - | - | - | - | - |
| Profit on savings accounts with banks | 138 | - | - | - | - | - |
| Profit on Term Deposit Receipts | - | - | - | - | - | - |
| Profit on Sukuk Certificates | - | - | - | - | - | - |
| Transactions in securities | | | | | | |
| Purchases | 734 | - | - | - | - | - |
| Sales | - | - | - | - | - | - |
| Total contribution received | - | - | - | - | - | - |
| Total net asset value | 43,243 | - | - | - | - | - |
| Net Asset value per unit (Rs.) | 90.59 | - | - | - | - | - |

| | Equity sub fund | | Debt sub fund | | Money Market sub fund | | Gold sub fund | |
|---|------------------------------|---------------------|--------------------|---------------------|-----------------------|---------------------|--------------------|---------------------|
| | Lowest issue price | Highest issue price | Lowest issue price | Highest issue price | Lowest issue price | Highest issue price | Lowest issue price | Highest issue price |
| | ----- (Rupees in '000) ----- | | | | | | | |
| For the year ended June 30, 2017 | 496.74 | 672.22 | 204.57 | 214.71 | 203.23 | 212.23 | 86.68 | 100 |
| For the year ended June 30, 2016 | 397.17 | 498.08 | 195.75 | 204.48 | 195.45 | 203.23 | - | - |

19. COMMODITY RISK MANAGEMENT

19.1 Commodity risk

Commodity risk represent the accounting loss that would be recognised at the reporting date due to change in the future market values and the size of the future income, caused by fluctuations in the price of commodities.

Commodity risk arises on the fair value or future cash flows of a commodity will fluctuate because of the decrease / increase in the price of the gold contract quoted on Pakistan Mercantile Exchange (PMEX).

20. TAXATION

The income of the Fund is exempt from income tax under clause 57(3) (viii) of part I of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision has been made in respect of taxation in these financial statements.

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.

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 24, 2017 by the Board of Directors of the Pension Fund Manager.


22. GENERAL

22.1 Figures have been rounded off to the nearest thousand rupees.

22.2 Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follows:

| <u>Statement</u> | <u>Rs in '000'</u> | <u>Reclassified</u> | |
|------------------|--------------------|---------------------------------|--|
| | | <u>From</u> | <u>To</u> |
| Balance sheet | 28,919 | Payable to Pension Fund Manager | Accrued expenses and other liabilities |

**For Al Meezan Investment Management Limited
(Pension Fund Manager)**


Mohammad Shoaib, CFA
Chief Executive


Mazhar Sharif
Director



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(AM1 rating by JCR-VIS)

Al Meezan Investment Management Ltd.

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Meezan Bank

The Premier Islamic Bank

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