



EXPERTISE THAT WEATHERS WIND AND CURRENT

Annual Report
2018



Annual Report
2018

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Al Meezan
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KSE-Meezan
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Al Meezan
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KSE-Meezan
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Meezan
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Meezan
Islamic Fund

Al Meezan
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KSE-Meezan
Index Fund

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Meezan
Dedicated Equity Fund

Meezan
Gold Fund

Meezan
Islamic Income Fund

Meezan
Sovereign Fund

Meezan
Cash Fund

Meezan
Financial Planning
Fund of Funds

Meezan
Strategic Alternative Fund

Meezan
Strategic Alternative Fund

Meezan
Total Return Pension Fund



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Meezan
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Financial Planning
Fund of Funds

Meezan
Strategic Allocation Fund

Meezan
Strategic Allocation Fund-II

Meezan
Tahaffuz Pension Fund



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 23 years since then, Al Meezan Investment Management Limited, due to the trust our customers hold in us, has now become the Largest Shariah compliant 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 assets under management base of over Rs. 93 Billion (as on June 29, 2018).

As Pakistan's only full-fledged Shariah compliant Asset Management Company with the sole mandate to provide Shariah compliant investment solutions to our valued clients, 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 enabling them to reach their financial goals.







VISION

To make Shariah compliant investing a first choice for investors.

MISSION

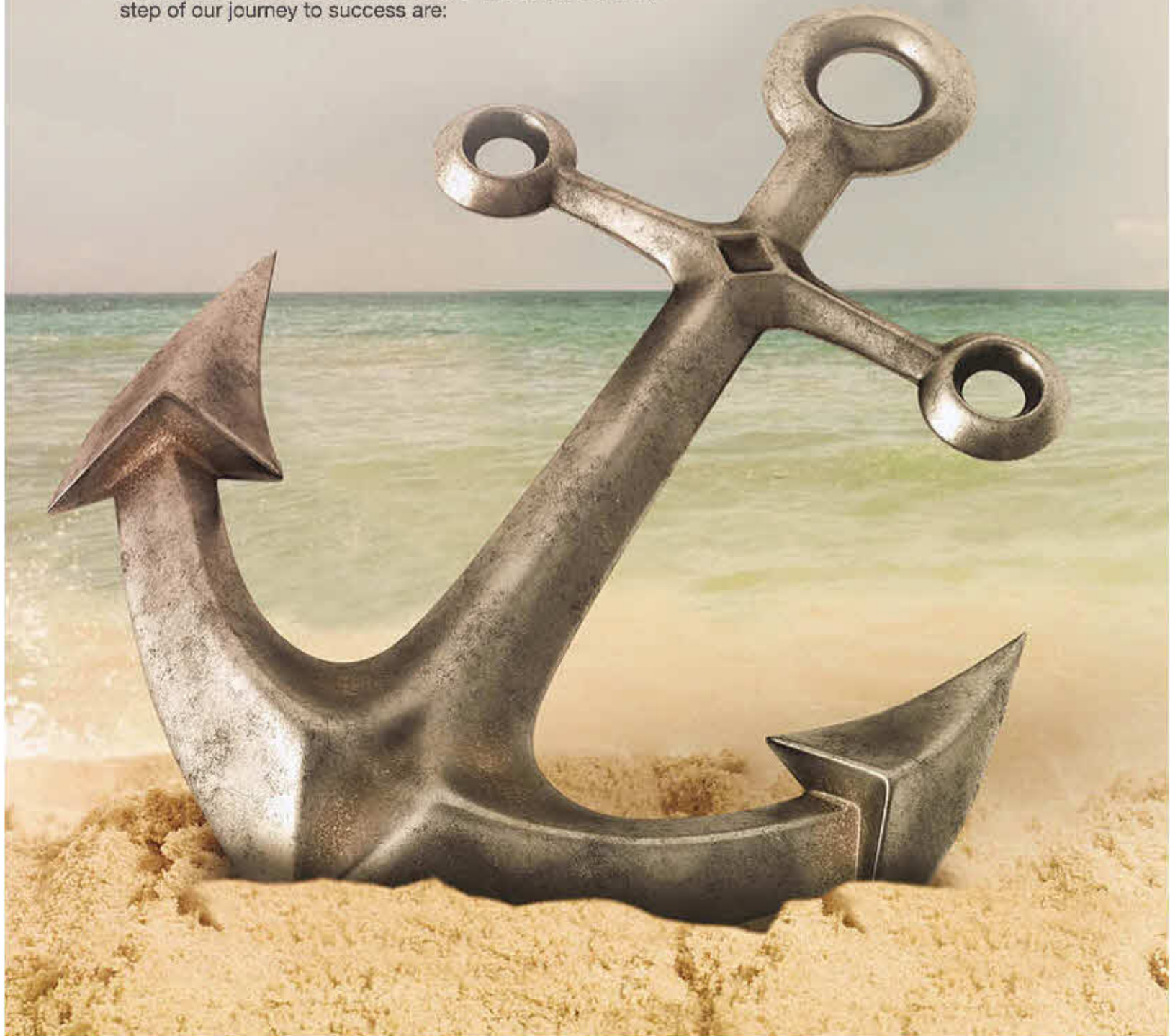
To establish Al Meezan as a leading and trusted brand for savings and investments by offering innovative Shariah compliant investment solutions through ethical conduct, value added services and optimal returns, while protecting the interest of all stakeholders.



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. These 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.

MILESTONES FOR FY 2018





Over **80,000**
Customers
(as on June 29, 2018)



20
Branches
Nationwide.
Number of New
Branches:
4



Maintained
AM1
Rating, Highest
Management
Quality Rating in
Pakistan by
JCR-VIS



Training
Accreditation
by **IoBM**



Islamic
Investment
Awareness
Seminar's
Sialkot: 1,
Gujranwala: 1 &
Karachi: 3



Total number of
Transactions
done
in the Year:
332,112

BOARD OF DIRECTORS

Mr. Ariful Islam

Chairman

Mr. Ariful Islam is the Deputy CEO at Meezan Bank Limited, the premier Islamic financial institution in Pakistan with over 33 years of experience with various Banks and in Bahrain and Pakistan. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of England and Wales and a fellow member of the Institute of Chartered Accountants of Pakistan. He has also worked with KPMG (formerly Peat Marwick Mitchell & Co.) prior to his banking career.

He joined Meezan Bank in April 1999 as the Bank's first Chief Operating Officer and was subsequently elevated to the position of Deputy CEO of the Bank. Mr. Arif was also involved with the setting up of the first private sector open-end fund in Pakistan and carries with him valuable asset management experience.

Other Directorships and recent offices held:

- Director, Meezan Bank Limited
- Director, Atlas Battery Limited
- Member Human Resources & Remuneration Committee, Al Meezan Investment Management Limited

Mr. Mohammad Shoaib, CFA

Chief Executive

Mr. Mohammad Shoaib, CFA is the Chief Executive Officer of Al Meezan Investment Management Limited, the largest Shariah compliant asset management company in Pakistan. He has over 28 years of experience in managing investment portfolios. Currently with Al Meezan Investments he is managing investments of about Rs. 93 billion (as on June 29, 2018) under 15 mutual/pension funds and discretionary clients' portfolios, and leading a team of 340 employees of the organization.

He is an MBA from the Institute of Business Administration (IBA), Karachi of 1988 and has also taught in his alma mater, several courses ranging Security Analysis to Finance & Accounting.

He got his CFA charter in 1999 and later founded the CFA Association of Pakistan in May 2002 with 40 members. He was the first President of the CFA Association of Pakistan (CFAAP) and during his leadership CFAAP achieved several milestones including the "Innovation Award" in 2006 and the "Strategic Planning Award" in 2008 from the CFA Institute.

BOARD OF DIRECTORS

Mr. Ijaz Farooq

Director

Mr. Ijaz Farooq is currently associated with Meezan Bank Limited as the Group Head Retail Banking, SME/Commercial & Agriculture Finance. Mr. Farooq is an MBA (Marketing) from University of Punjab. He has an extensive experience of over 42 years in Pakistan's banking industry.

Prior to joining Meezan Bank, Mr. Farooq spent 15 years with Bank Alfalah Limited, where he joined as Area Manager in 1998, and progressed to the position of Group Head-Islamic Banking. The overall planning, establishment and smooth functioning of Islamic Banking Division is to Mr. Farooq's credit. His strategic objective setting and business planning has substantial contribution towards the success of Islamic Banking. As Group Head, he served on several committees including Central Management Committee, Central Credit Committee, Asset & Liability Committee and Human Resource Committee.

He has served at renowned entities such as Allied Bank Limited from where he started his career as Officer. As the Chief Manager for Emirates Bank International, Mr. Ijaz played a pivotal role for increasing profitability and overall result of the bank. This contribution was recognized by virtue of his nomination for Advanced Management Program (AMP) at The Wharton School, University of Pennsylvania, USA.

Ms. Saima Kamila Khan

Director

Ms. Saima Kamila Khan is currently associated with Jazz Pakistan as Chief Legal Officer. Ms. Kamila oversees the Company's legal and communications functions, leveraging her legal expertise and acumen to bring synergy to all functions. Before joining Jazz, she worked for ICI Pakistan Limited, as the General Counsel, Company Secretary & Head of Corporate Communications and Public Affairs.

She has over a decade of diversified experience in the legal field. Throughout her professional career she has performed the legal role at senior management levels within and outside Pakistan in various sectors including oil and gas, pharmaceutical, banking and private equity.

Prior to joining ICI Pakistan Limited, she was Head of Legal & Company Secretary for Samba Bank Limited. Kamila holds an LL.B. from the University of Punjab and an LL.M. from the University of Pennsylvania, U.S.A. She is on various committees of the Overseas Investors Chamber of Commerce and Industry (OICCI) and the Pakistan Business Council (PBC). She is also on the Board of Directors of the Pakistan Institute of Corporate Governance (PICG).

BOARD OF DIRECTORS

Mr. Moin M. Fudda

Independent Director

Mr. Moin M. Fudda has over 42 years of rich and unique blend of professional experience which encompasses working for the corporate sector and performing diplomatic duties. He holds MBA (Insurance & Risk Management) from St. Jones University, New York, and B.S. (Insurance & Economics) from R.C.D. College of Insurance, Tehran. In his former role as Managing Director of Karachi Stock Exchange or "KSE" (now Pakistan Stock Exchange Limited or "PSX"), he helped in formation of Pakistan Institute of Corporate Governance (PICG). He is a Certified Corporate Governance Trainer by International Finance Corporation (IFC) since 2010 and is a Member of Faculty as well Nominee Director of PSX on the Board of PICG.

Since 1990, he has been serving as the Honorary Consul General of New Zealand for Pakistan. Besides, he is a Country Representative for SCOR – A Global Tier-1 Reinsurer. He is a Member of Board of Directors of Karachi Council on Foreign Relations and a Member, Executive Committee of English Speaking Union of Pakistan. Moreover, since 2003, he continues to serve as Chairman and/or member of various Alternate Dispute Resolution Committees (ADRC) formed by the Federal Board of Revenue.

He worked for American Internationals Group (AIG) in its head office and as an Adjunct Assistant Professor at The College of Insurance in New York. He has been the Executive Director – Reinsurance, Pakistan Insurance Corporation; Country Chief of New Zealand Insurance and Commercial Union (now AVIVA) and founder Managing Director of Commercial Union Life (now Jubilee Life Insurance). He has served on Technical Committees of Economic Cooperation Organization (ECO) Reinsurance Pool and Federation of Afro Asian Insurers and Reinsurers Pool (FAIR).

Mr. Atif Azim

Independent Director

Mr. Atif Azim is the Co- Founder & Chief Executive Officer of VentureDive Pvt. Ltd, and was also a part of Executive Board of the same company. Mr. Atif Azim possesses an extensive international work experience in global companies such as Cisco Systems, KPMG and Brienice Inc. At KPMG he served as a senior consultant from 2000-01 based in San Francisco, U.S.A. He also co-founded Perfigo, San Francisco a network security company which was later acquired by Cisco Systems.

Mr. Atif Azim holds a B.Sc. in Electrical Engineering from the world renowned, Imperial College of Science and Technology, London and M.Sc. in Electrical Engineering & Computer Science from the prestigious Stanford University, USA.

BOARD OF DIRECTORS

Mr. Muhammad Abdullah Ahmed

Director

Mr. Abdullah currently looks after the Treasury, Correspondent Banking, Financial Institutions, and Home Remittance functions of the Bank. He has over 20 years of banking and treasury dealing experience. He has also previously worked at Bank of America NA, National Bank of Pakistan and KASB Bank before joining Meezan Bank in 2005.

Mr. Abdullah has a Bachelors and Masters in business administration from the Institute of Business Administration, University of Karachi. He is a fellow of the Association Cambiste Internationale (ACI) - The Financial Markets Association, Paris in financial markets trading and a fellow of the Institute of Bankers Pakistan. He is also a certified Financial Risk Manager (FRM) from the Global Association of Risk Professionals (GARP), USA.

Mr. Abdullah is an active member of the local Financial Markets Association of Pakistan (FMAP) and was elected to the executive committee as office bearer in 2000, 2008 and 2009, his last office being the General Secretary of the FMAP for the years 2009-2012. He is currently a member of the Pakistan Banks Association (PBA) sub-committee on Treasury and Capital Markets since 2010 and of the technical committee of the Financial Markets Association of Pakistan since 2012.

Mr. Arshad Majeed

Director

Mr. Majeed in his current role is serving Meezan Bank Limited as the Group Head of Consumer Finance, he has been part of the Bank since its inception and has played an instrumental role in its growth by developing the Operations function.

Mr. Majeed's banking career spans over 26 years during which he has held various senior positions in local as well as foreign banks such as Deutsche Bank AG, The Chase Manhattan Bank Ltd, MCB Bank Limited and Mashreq Bank both in Pakistan and abroad. His last assignment before joining Meezan Bank was with Mashreq Bank Head Office, Dubai as Senior Methods Analyst for Operating Policies and Procedures for Local and Overseas Branch Operations & Internal Quality Audit for Head Office Operations-Dubai.

Mr. Majeed has a Master's degree in Business Administration and Graduated in Advanced Mathematics and Law from Karachi University. He is also a certified Internal Quality Auditor from Bureau Veritas Quality International (BVQI), London. Mr. Majeed is a member of various senior-level internal committees of Meezan Bank and as an internal trainer has also conducted numerous country-wide training sessions.

BOARD OF DIRECTORS

Mr. Naeem Sattar

Director

Syed Amir Ali Zaidi

Director

Mr. Naeem Sattar is currently working as Company Secretary of Pakistan Kuwait Investment Co. Pvt Ltd. He is a Fellow Member of the Institute of Cost and Management Accountant of Pakistan and has over 15 years of experience in the financial sector. His work experience includes the fields of Accounting, Taxation, Budgeting, and Corporate Secretarial affairs. He has also worked with M/s. A. F. Ferguson & Co – Chartered Accountants.

Mr. Amir is serving as Senior Vice President in Capital Markets Department of Pak Kuwait Investment Company (Pvt) Limited since May 2006. He has vast experience of over 23 years in the Capital Markets of the country with leading financial institutions. Prior to his last association with Taurus Securities, he worked with AF Ferguson & Co., Chartered Accountants in the taxation department.

Mr. Zaidi is an MBA from the Institute of Business Management with majors in Human Resources & Finance and also holds an LL.B. degree.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY OF THE FUNDS

The Board of Directors of Al Meezan Investment Management Limited is pleased to present the audited financial statements of the following open end funds and a voluntary pension scheme for the year ended June 30, 2018.

Equity Funds

- Meezan Islamic Fund
- Al Meezan Mutual Fund
- KSE-Meezan Index Fund
- Meezan Dedicated Equity Fund

Sector Specific Fund

- Meezan Energy Fund

Income Funds

- Meezan Islamic Income Fund
- Meezan Sovereign Fund

Money Market Fund

- Meezan Cash Fund

Balanced Fund

- Meezan Balanced Fund

Funds of Funds

- Meezan Financial Planning Fund of Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund-II

Commodity Fund

- Meezan Gold Fund

Asset Allocation Fund

- Meezan Asset Allocation Fund (MAAF)

Pension Fund

- Meezan Tahaffuz Pension Fund

Economic Review:

During the year ended June'18, Pakistan's economy depicted a mixed trend. On the positive side, the country posted the highest ever GDP growth rate in the last thirteen years, exhibited double digit growth in exports after a fall of five years and managed to control its inflation levels to 4%. On the other hand, some negatives which kept the investors concerned included deteriorating external account position, fiscal deficit, political turmoil and rating outlook downgrade by Moody's.

Inflation for FY18 was contained at 3.91% as opposed to 4.16% last year. However, towards the last quarter of the fiscal year, the lagged impact of PKR's depreciation and the cost-push effect of higher energy tariffs could be seen kicking in setting the monthly inflation numbers on an upward trajectory. The economic growth also reached its thirteen-year high; taking major impetus from the LSM growth of 6.13%, the GDP growth for FY18 clocked in at 5.8%.



On the fiscal front, revenue collection showed a significant improvement whereby for 9MFY18, FBR posted a 16% YoY increase in tax collection. However it appears that the overall fiscal deficit is likely to exceed the FY18 target (revised target 5.5% of GDP), due to the continued momentum in development spending as well as an increase in the debt servicing cost.

On the external front, Pakistan's real challenge continues to be the rising trade deficit. As of FY18, the country is facing a trade deficit of around USD 36.2 billion, depicting an increase of 16.8% YoY. The trade imbalance has weighed on the current account deficit of the country, which is likely to reach around 5.70% of GDP for FY18. The largest contributor to this deterioration was infrastructure related spending on machinery, petroleum products and transport projects under CPEC.

The combined impact of increased imports along with the repayments of external liabilities has had a drastic impact on the SBP's forex reserves which dipped to USD 9.78 billion in FY18 (equivalent to ~two months of imports) compared to USD 16.14 billion last year. In order to provide support to the plummeting reserves of the country, USD 1 billion was borrowed from the country's CPEC partner, China in June 2018. Alongside, the recently announced amnesty scheme is also expected to provide some respite for the foreign exchange reserves of the country.

The joint impact of sliding forex reserves and ballooning current account deficit led to the Pak Rupee losing considerable value; after three rounds of devaluation during FY18 and another one right after the fiscal year's close, PKR currently stands at Rs. 124.00/USD in the interbank market compared to Rs. 104.88/USD at the start of the year, showing a stark decline 18.2% in the currency value. On the brighter side, the devaluation has started proving fruitful as the country's exports witnessed a double digit growth of 13.7% in FY18 after a fall of 13% in the last seven years-. Also, regulatory measures such as increase in duties and tariffs have been imposed in order to curb imports whereas exporters have been incentivized to promote exports in form of continuation of export package.

In light of PKR depreciation, rising oil prices, increasing interest rate differentials and continued buildup of demand, the State Bank of Pakistan increased the policy rate to 6.50% in FY18 (and to 7.5% in July'18) to manage the real interest rate corridor.

Towards the end of the year, an event which further dented the image of the country was Moody's downgrade of Pakistan's rating outlook from stable to negative.

Money Market Review:

The State Bank of Pakistan (SBP), after maintaining the discount rate stable throughout the first half of FY18, embarked on a monetary tightening stance during the second half whereby the policy rate was increased cumulatively by 0.75% and set at 6.50% (further increased to 7.50% in July'18) on the back of deteriorating foreign exchange reserves, rising inflation and surging commodity prices. The market had already been anticipating a DR increase since the start of the fiscal year so the first raise in the policy rate did not come as a surprise for the market participants. On the macroeconomic side, the balance of payment crisis, depleting forex reserves followed by high fiscal deficit (6.8%) and core inflation expected to settle up to 7% during FY19 have resulted in the monetary tightening witnessed so far.

Overall, in line with the increased discount rate, the government paper yields and KIBORs showed an upward trend compared to their FY17 levels; T-bills which had remained almost flat up till the first half, rose by 80-120 bps, PIB yields increased in the range of 86-179 bps, while the KIBORs, after remaining almost flat till December'17, climbed 78-107 bps post the SBP's decision to increase the interest rate. With expectations of monetary tightening to continue going forward, further increase in the yields could be witnessed during the next quarter.

On the liquidity front, the Money Market continued facing a tight liquidity scenario during FY18, evidenced by Rs. 71.9 trillion worth of OMO injections by the SBP. Alongside, twenty five T-bill and twelve PIB auctions were conducted during this period whereby cumulatively, T-bills witnessed a net borrowing of Rs. 1,060 billion with an acceptance of Rs. 17.02 trillion against a participation of Rs. 21.10 trillion and a maturity of Rs. 15.96 trillion while PIBs witnessed a net debt retirement of Rs. 1.48 trillion with an acceptance of Rs. 101.73 billion and a maturity of Rs. 1.58 trillion. It is pertinent to note here that SBP rejected eight PIB auctions during the period (due to thin and high yield participations by the market participants on account of monetary tightening expectations) and the overall debt profile of the government has effectively shifted from long term to short term borrowing.

The Shariah compliant end of the money market has witnessed a sharp decline in Ijarah Sukuks prices throughout this fiscal year due to a lack of demand for fixed rate Ijarah sukuks on account of a rising interest rate scenario; it is pertinent to note here that out of the four running Ijarah Sukuks issues, three are fixed rate and the government did not carry out any Ijarah sukuk auction throughout this fiscal year. Resultantly, mutual funds carrying Ijarah Sukuk exposures witnessed an acute decline in returns during this period. However, a gradual increase is being witnessed in the preference of raising debt through sukuk issuance by the corporate sector. Continuance of this trend is expected to bode well for deployment of excess liquidity available with Islamic financial institutions.

Equity Market Review

During FY18, the benchmark KMI-30 index experienced phases of volatility post its inclusion into MSCI indices, coupled with periods of economic and political uncertainty. The KMI-30 Index closed the fiscal year down by 9.59% to close at 71,060 pts while the KSE-100 Index posted a decline of 10.00% to end the year at 41,911 pts. The participation continued to remain low during the year with the KMI-30 index and KSE-100 index volumes down by 37% and 38% respectively.

Market's volatile and dismal performance during FY18 was attributable to multiple factors including i) Political uncertainty ii) persistently overvalued PKR relative to peers' currencies, iii) unabated foreign portfolio outflows, and iv) liquidation of positions by the mutual fund industry to satisfy redemptions.

Benchmark index continued to remain under pressure during the first half of the year fueled by persistent political turmoil coupled with rising domestic agitation and a prolonged sit-in by religious parties. The bearish trend temporarily reversed during the last few trading sessions of December 2017 after the KSE 100 touched its lowest level of 37,791 on Dec 19, 2017. Post December 19, 2017 and during the second half of the fiscal year, the market staged a decent recovery of over 20% or over 8,700 points as the market rallied close to 47,000 level till early April 2018. This was aided by the approval of the long awaited delimitation bill and timely Senate elections.

However, escalating economic challenges owing to worsening external account position, depleting foreign exchange reserves, political concerns and foreign selling dominated the last quarter of FY18, during which the index retraced most of the gains achieved post mid December 2017. Change in outlook on Pakistan's debt repayment ability to "negative" by Moody's sparked further panic amongst investors and kept flows muted during the last few months of the FY18.

Oil prices remained elevated due to multiple events unfolding in a short span of time as well as voluntary extension of production cuts earlier agreed by OPEC. Amongst the events, pipeline closures in Iran due to a terrorist incident and North Sea due to repair and maintenance, fueled suspicions of future supply constraint. Tensions in the Middle East touched a new high as rebels launched cruise missiles targeting the residence of the Saudi King in Riyadh and unrest in Iran late in the 2QFY18 also fueled a speculative rally in Oil prices as large scale protests threatened to affect the oil supply infrastructure in the country.



In addition to this, renewal of sanctions against Iran announced by Donald Trump led to fresh speculative rally on the back of perceived supply constraint. Brent Crude ended the year on a very strong note up by 54.62% to close at \$79.23 per barrel.

Major contributors to the index:

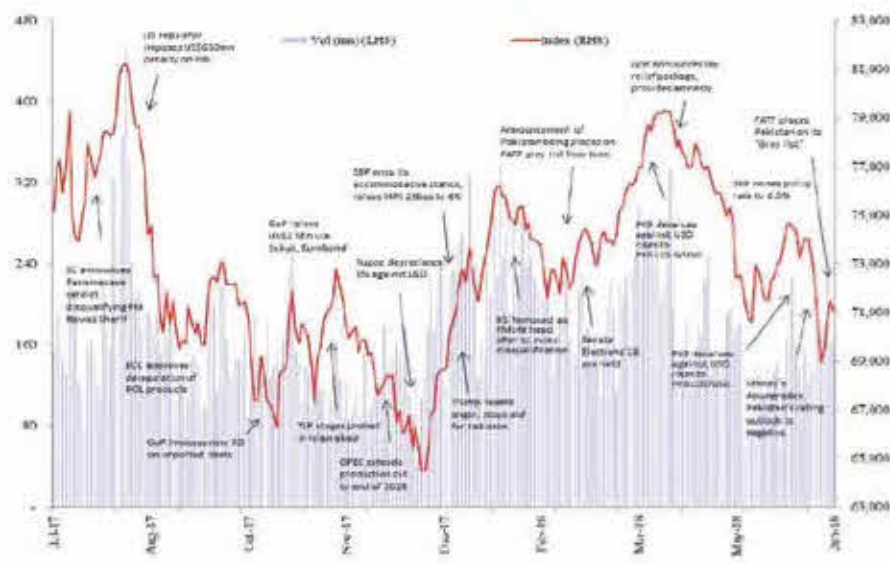
During the fiscal year, Oil & Gas Exploration was amongst the top positive contributing sectors. The top contributing stocks in the KMI-30 index during the period were:

| Sr. | Positive Contributors to the Index | Contribution to KMI-30 (Points) | Total Return (%) |
|-----|------------------------------------|---------------------------------|------------------|
| 1 | Pakistan Petroleum Ltd | 2,689 | 53 |
| 2 | Pakistan Oilfields Ltd | 2,008 | 58 |
| 3 | Engro Fertilizers Ltd | 1,246 | 55 |
| 4 | Oil & Gas Development Co Ltd | 1,165 | 18 |
| 5 | Engro Polymer & Chemicals Ltd | 145 | 37 |

On the flip side, Cements, Banks, Pharmaceuticals, Cable and Electrical and Autos were the worst contributing sectors. The most laggards in the KMI-30 index during the period were:

| Sr. | Negative Contributors to the Index | Contribution to KMI-30 (Points) | Total Return (%) |
|-----|------------------------------------|---------------------------------|------------------|
| 1 | Lucky Cement Ltd | -2,864 | -37 |
| 2 | DG Khan Cement Co Ltd | -1,556 | -43 |
| 3 | Pak Elektron Ltd | -1,301 | -6.6 |
| 4 | Hub Power Co Ltd | -1,033 | -16 |
| 5 | Maple Leaf Cement Factory Ltd | -956 | -52 |

The overall movement of the KMI-30 during the period can be observed in the following graph:



Equity Flows

Foreign portfolio flows remained negative during the year despite Pakistan moved in to MSCI Emerging Markets index from Frontier Markets index, with net sell by Foreign Investors during the period under review clocking in at USD 289 mn. Major foreign outflows of USD 150 million and USD 100 million were recorded in Banking and Oil & Gas exploration sectors which collectively accounted for a major bulk of the net outflows witnessed during the year. This was followed by Cement and Fertilizer sectors with outflows of USD 35 mn and USD 27mn respectively. During the period, Mutual Funds were net sellers to the tune of USD 34 million while Insurance Companies and Corporates were net buyers worth USD 204 million and USD 100 million respectively. Banks, Individuals, NBFCs, Others and Brokers were net buyers amounting to roughly USD 20 million collectively.

Mutual Fund Industry Review

During FY18, size of the mutual funds' industry, measured in terms of assets under management (AUM), declined by 2.0% to Rs. 604 bn. On the Shariah Compliant front, AUM declined by 9.2% to Rs. 226 bn thereby bringing the share of Shariah Compliant funds in the Mutual Funds industry down to 37.5%.

Open end Equity funds (including index tracker Funds) decreased by 15.8% to Rs. 264 bn owing to lackluster performance of Pakistan's equity market. Conventional funds in this category went down by 12.5% while funds with Shariah compliant mandate declined by 20.3% to the size of Rs 106 bn. During FY18, size of open end Income and Money market funds grew by 19.9% to Rs. 257 bn. Conventional funds in the same category registered a growth of 22.4% which is more than the 13.2% growth rate witnessed by the Shariah compliant funds under the same category.

Net assets under Capital protected, balanced, and asset allocation mandate decreased by 9.3% to reach Rs. 57 bn. Conventional funds in this category declined by 9.3% and Shariah Compliant funds declined by 9.4% in this period. Size of commodity schemes in the industry decreased to Rs. 242 mn compared to Rs 672 mn as on June 30, 2017, reflecting a decline of 64.0%. It is also worth noting that Meezan Gold Fund (MGF) is now the only fund being offered under this category.

Voluntary Pension Funds increased by 3.3% during the period under review with their cumulative fund size clocking in over Rs. 26 bn mark as at June 30, 2018. Shariah compliant Pension Funds also increased by 4.1% in the period under review to clock in at Rs. 17 bn.

Al Meezan's share in the Mutual Fund industry stands at 15.4% while among the Shariah Compliant Funds, it continued to cherish the leading position with a market share of 41.2%. Al Meezan also continued to lead the pension fund market with a 35.3% and 54.9% market share in the overall pension funds market and Shariah compliant pension funds market respectively.

Performance Review (Funds)

The table provided below depicts a summary of performance of funds under our management for the year:

| Funds | Type | Net Assets Rs. in millions | Growth in Net Assts for FY18 (%) | Returns for FY18 (%) | Benchmark for FY18 (%) | |
|--|---------------------|----------------------------------|--|----------------------------|------------------------------|--|
| Equity Funds | | | | | | |
| Al Meezan Mutual Fund (AMMF) | Equity | 6,864 | -24 | -16 | -10 | |
| Meezan Islamic Fund (MIF) | Equity | 39,115 | -29 | -17 | -10 | |
| KSE Meezan Index Fund (KMIF) | Equity | 1,687 | -12 | -11 | -10 | |
| Meezan Energy Fund (MEF) | Equity | 1,637 | 44 | -1 | -10 | |
| Meezan Dedicated Equity Fund (MDEF)** | Equity | 1,857 | - | -3 | 4 | |
| Fixed Income Funds | | | | | | |
| Meezan Islamic Income Fund (MIIF) | Income | 10,166 | -14 | 4 | 2 | |
| Meezan Cash Fund (MCF) | Money Market | 9,921 | 196 | 4 | 3 | |
| Meezan Sovereign Fund (MSF) | Income | 2,121 | -51 | 3 | 5 | |
| Balanced Fund | | | | | | |
| Meezan Balanced Fund (MBF) | Balanced | 7,843 | -18 | -9 | -4 | |
| Fund of Funds | | | | | | |
| Meezan Financial Planning Fund of Fund | | | | | | |
| Aggressive | Fund of Fund | 497 | -20 | -12 | -6 | |
| Moderate | | 309 | -24 | -7 | -3 | |
| Conservative | | 290 | -30 | -2 | 0 | |
| MAAP I | | 829 | -34 | -6 | -5 | |
| MAAP-II# | | 690 | -29 | -14 | -10 | |
| MAAP III | | 2,190 | -25 | -13 | -7 | |
| MAAP-IV | | 508 | -41 | -14 | -7 | |
| Meezan Strategic Allocation Fund | | | | | | |
| MSAP-I | | 1,945 | -26 | -13 | -7 | |
| MSAP II | | 1,289 | -22 | -13 | -7 | |
| MSAP-III | | 1,423 | -19 | -13 | -7 | |
| MSAP IV | | 1,666 | -16 | -12 | -6 | |
| MSAP-V* | | 521 | - | -3 | 3 | |
| MSAP MCPP III*** | | 1,365 | - | 0 | 0 | |
| Meezan Strategic Allocation Fund - II | | | | | | |
| MSAP II MCPP IV**** | | 2,115 | - | 0 | -1 | |
| MSAP-II-MCPP-V***** | 733 | - | 0 | 0 | | |
| Commodity Fund | | | | | | |
| Meezan Gold Fund (MGF) | Commodity | 243 | -47 | 12 | 13 | |
| Asset Allocation Fund | | | | | | |
| Meezan Asset Allocation Fund (MAAF) | Asset Allocation | 2,877 | -12 | -12 | -7 | |
| Pension Fund Scheme | | | | | | |
| Meezan Tahaffuz Pension Fund | Pension Fund Scheme | | | | | |
| Equity sub Fund | | 5,432 | -6 | -16 | | |
| Debt sub Fund | | 2,762 | 10 | 3 | | |
| Money Market sub Fund | | 1,014 | 53 | 3 | | |
| Gold Sub Fund | | 50 | 16 | 12 | | |

* Launched on August 10, 2017,** Launched on October 09, 2017, *** Launched on December 19, 2017

**** Launched on Mar 05, 2018, ***** Launched on May 04, 2018, # Matured on Jan 11, 2018,

Outlook

After recording the highest GDP growth in FY18 in more than a decade, Pakistan is now headed towards consolidation in FY19 as the State Bank of Pakistan has revised the growth target to 5.5% for the next year. Some restrictive measures have been taken by the government which includes monetary tightening and currency devaluation, which are likely to continue in the next fiscal year. These measures are warranted in order to curtail the deteriorating external account position and debt repayment ability of Pakistan.

While economic challenges remain at large going into FY19, we believe that timely conclusion of the elections and a swift change of hands of the government would have a two - fold positive impact in terms of easing the air of the current political scenario and improving the economic situation. With the new government in control, remedial measures will soon be implemented, aiding the economy of Pakistan to rebound from its lows.

On the commodities front, international oil prices may take up an uncertain trajectory. With USA and China's trade war becoming quite likely, economic slow-downs could be witnessed globally, thereby pressuring the international oil prices. For the same reason, Gold might be seen performing if such concerns magnify during the next fiscal year. Volatility in the global economic landscape could also keep demand for the yellow metal intact.

For the fixed income side, a tight monetary policy is expected to continue thereby keeping the interest rates and yields on a rising trend. On the Shariah compliant end of the money market however, the issuance of new GoP Ijarah sukuks as well as corporate sukuks will be really important to deal with the excess liquidity issue.

Auditors

| No. | Name of Fund | Name of auditors as of June 30, 2018 | Status of appointment for the year ending June 30, 2019 |
|-----|---|--|---|
| 1 | MEEZAN ISLAMIC FUND | M/s A.F. Ferguson & Co., Chartered Accountants | Eligible for re-appointment |
| 2 | MEEZAN SOVEREIGN FUND | | |
| 3 | AL MEEZAN MUTUAL FUND | | |
| 4 | MEEZAN BALANCED FUND | | |
| 5 | MEEZAN ISLAMIC INCOME FUND | | |
| 6 | MEEZAN CASH FUND | | |
| 7 | KSEMEEZAN INDEX FUND | | |
| 8 | MEEZAN FINANCIAL PLANNING FUND OF FUNDS | | |
| 9 | MEEZAN GOLD FUND | | |
| 10 | MEEZAN ASSET ALLOCATION FUND | | |
| 11 | MEEZAN ENERGY FUND | | |
| 12 | MEEZAN STRATEGIC ALLOCATION FUND | | |
| 13 | MEEZAN STRATEGIC ALLOCATION FUND II | | |
| 14 | MEEZAN DEDICATED EQUITY FUND | | |
| 15 | MEEZAN TAHAFFUZ PENSION FUND | M/s Deloitte Yousuf Adil , Chartered Accountants | Eligible for re-appointment |

Board Meetings

Details of Board Meetings and attendance therein is given in the notes to the financial statements of the Funds

Board Audit Committee (BAC)

During the year ended June 30, 2018, five BAC meetings held. Below is the attendance of Board of Directors:

| Name of Director | 22-Aug-17 | 18-Oct-17 | 06-Feb-18 | 08-Mar-18 | 16-Apr-18 |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| Mr. P. Ahmed | ✓ | ✓ | - | - | - |
| Mr. Moin M. Fudda | - | - | ✓ | ✓ | ✓ |
| Mr. Mazhar Sharif | ✓ | ✓ | - | - | - |
| Syed Amir Ali | ✓ | ✓ | ✓ | ✓ | - |
| Mr. Naeem Sattar | - | - | ✓ | ✓ | ✓ |

Risk Management Committee (RMC)

During the year ended June 30, 2018, four RMC meetings held. Below is the attendance of Board of Directors:

| Name of Director | 22-Aug-17 | 18-Oct-17 | 6-Feb-18 | 9-May-18 |
|---------------------|-----------|-----------|----------|----------|
| Mr. P. Ahmed | ✓ | ✓ | - | - |
| Mr. Mazhar Sharif | ✓ | ✓ | - | - |
| Syed Amir Ali | ✓ | ✓ | ✓ | - |
| Mr. Mohammad Shoaib | ✓ | ✓ | ✓ | ✓ |
| Mr. Moin M. Fudda | - | - | ✓ | - |
| Mr. Naeem Sattar | - | - | ✓ | ✓ |
| Mr. Abdullah Ahmed | - | - | - | ✓ |
| Syed Amir Ali Zaidi | - | - | - | ✓ |

Human Resource & Remuneration Committee (HR&RC)

During the year ended June 30, 2018, two HR&RC meetings held. Below is the attendance of Board of Directors:

| Name of Director | 21-Aug-17 | 7-Feb-18 |
|-----------------------------|-----------|----------|
| Mr. Ariful Islam - Chairman | ✓ | ✓ |
| Mr. Mohammad Shoaib, CFA | ✓ | ✓ |
| Mr. Ijaz Farooq | ✓ | - |
| Mr. Mazhar Sharif | ✓ | - |
| Mr. Naeem Sattar | - | ✓ |
| Mr. Atif Azim | - | ✓ |

Acknowledgement

We take this opportunity to thank our valued investors for reposing their faith in Al Meezan Investments, making it the largest asset management company in the private sector in Pakistan. We also thank the regulator, the Securities and Exchange Commission of Pakistan and our Trustee, the Central Depository Company of Pakistan for their support. Furthermore, we would like to thank the members of the Shariah Supervisory Board of Meezan Bank for their continued assistance and support on Shariah aspects of fund management.

For and on behalf of the Board



Mohammad Shoaib, CFA
Chief Executive Officer

Date: August 09, 2018

فنڈز کی مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

المیزان انویسٹمنٹ مینجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز 30 جون 2018ء کو ختم ہونے والے عرصے کیلئے درج ذیل اوپن اینڈ فنڈز اور ایک والینٹری پنشن اسکیم کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہا ہے:

ایکویٹی فنڈز

- میزان اسلامک فنڈ
- المیزان میوچل فنڈ
- کے ایس ای۔ میزان انڈیکس فنڈ
- میزان ڈیڈ ویٹڈ ایکویٹی فنڈ

سیکرا اسپیسٹیک فنڈ

- میزان انرجی فنڈ

آگم فنڈز

- میزان اسلامک آگم فنڈ
- میزان سوورن فنڈ

مٹی مارکیٹ فنڈ

- میزان کیش فنڈ

بیلینڈ فنڈ

- میزان بیلینڈ فنڈ

ای سیٹ ایلوکیشن فنڈ

- میزان ای سیٹ ایلوکیشن فنڈ

فنڈ آف فنڈز

- میزان فنانشل پلاننگ فنڈ آف فنڈز
- میزان اسٹریٹجک ایلوکیشن فنڈ
- میزان اسٹریٹجک ایلوکیشن فنڈ-II

کمویٹی فنڈ

- میزان گولڈ فنڈ

پنشن فنڈ

- میزان تحفظ پنشن فنڈ

اقتصادی جائزہ:

جون 2018ء کو ختم شدہ سال کے دوران پاکستان کی معیشت نے ملا جلا رجحان ظاہر کیا مثبت رخ پر ملک نے گزشتہ 13 برسوں میں اب تک کی بلند شرح نمو حاصل کی گزشتہ پانچ برسوں میں گراؤ کے بعد برآمدات میں دوہرے ہندسوں کے ساتھ نمود کھائی اور اس کے افراط زر کی سطحوں کو 4% تک قابو میں رکھنے میں کامیاب رہا۔ جبکہ دوسری جانب، کچھ منفی چیزیں بھی رہیں جس نے سرمایہ کاروں کی تشویش کو برقرار رکھا جس میں بگڑتی ہوئی بیرونی حسابات کی صورتحال، مالی خسارہ، سیاسی خلفشار اور موڈ بیز کی جانب سے آڈٹ لک کی تنزلی کی جانب درجہ بندی شامل ہیں۔

مالی سال 18ء کیلئے افراط زر پچھلے سال کے 4.16% کے برعکس 3.9% پر رہا تاہم، مالی سال کی آخری سہ ماہی کی طرف پاکستانی روپے کی قدر میں کمی کے سبب اثر اور توانائی کے نرخوں میں اضافے کے اثر کو بھی دیکھا جاسکتا ہے جس نے ماہانہ افراط زر کو اوپر کی جانب دھکیل دیا۔ معاشی نمو بھی تیرہ برسوں کی بلند ترین سطح پر پہنچ گئی، جس نے 6.13% کی ایل ایس ایم نمو سے بڑا زور پکڑا، مالی سال 18ء کیلئے شرح نمو 5.8% پر آگئی ہے۔

مالی محاذ پر، حصول محصولات نے اچھی بہتری کا مظاہرہ کیا ہے جس کے ذریعے مالی سال 18ء کے 9 ماہ کیلئے، ایف بی آر نے ٹیکس وصولیوں میں سال بہ سال 16% اضافہ دکھایا ہے۔ تاہم، ایسا لگتا ہے کہ مجموعی مالی خسارہ مالی سال 18ء کے ہدف سے کچھ بڑھ جائے گا (شرح نمو کا تبدیل شدہ ہدف 5.5% جس کی وجہ قیاتی اخراجات میں مسلسل حرکت کے ساتھ ساتھ ادائیگی قرضہ جات لاگت میں اضافہ ہے۔

بیرونی محاذ پر مالی سال 18ء کے دوران پاکستان کا اصل چیلنج مسلسل بڑھتا ہوا تجارتی خسارہ ہے، ملک کو تقریباً 36.2 ارب ڈالر کے تجارتی خسارے کا سامنا ہے جو کہ سال بہ سال 16.8 کے اضافے کو ظاہر کرتا ہے۔ تجارتی عدم توازن نے ملک کے حسابات جاریہ پر بوجھ ڈال رکھا ہے، جو کہ مالی سال 18ء کیلئے شرح نمو کے تقریباً 5.7% پر پہنچنے کا امکان ہے اس انحطاط کا سب سے بڑا حصہ واریسی پیک کے تحت انفراسٹرکچر سے متعلق مشینری پر اخراجات، پٹرولیم پروڈکٹس اور ٹرانسپورٹ پروڈکٹس ہیں۔

بڑھتی ہوئی درآمدات کے ساتھ بیرونی واجبات کی واپسی کے مشترکہ اثر نے ایس بی پی کے غیر ملکی زرمبادلہ کے ذخائر پر منفی اثرات مرتب کیے ہیں جو پچھلے سال کے 16.14 ارب ڈالر کے مقابلے میں مالی سال 18ء میں 9.78 ارب ڈالر کی سطح تک گر چکے ہیں (دو ماہ کی درآمدات کے مساوی) ملک کے کم ہوتے زرمبادلہ کے ذخائر کو مدد فراہم کرنے کی غرض سے، جون 2018ء میں ملک کے سی پیک پارٹنر چین سے ایک ارب ڈالر قرض لئے گئے ہیں۔ اس کے ساتھ حال ہی میں اعلان کردہ ایم بی سی اسکیم سے توقع کی جاتی ہے کہ ملک کے غیر ملکی زرمبادلہ کے ذخائر میں کچھ بہتری آئے گی۔

گرتے ہوئے غیر ملکی زرمبادلہ کے ذخائر اور مسلسل بڑھتا ہوا حسابات جاریہ کا خسارہ مشترکہ اثر نے مالی سال 18ء کے دوران روپے کی قدر میں کمی کے تین دور کے بعد پاکستانی روپے کی قیمت میں قابل ذکر کمی کی طرف گامزن کر دیا اور مالی سال کے اختتام کے بعد کچھ اور کمی کے بعد سال کے آغاز پر 104.88 روپے فی ڈالر کے مقابلے میں پاکستانی روپے فی الحال انٹرنیشنل مارکیٹ میں 124 روپے فی ڈالر ہے جو روپے کی قدر میں 18.2% کی واضح کمی کو ظاہر کرتی ہے۔ روشن تر پہلو کے لحاظ سے، روپے کی قدر میں کمی نے افادیت کے ثبوت کا آغاز کر دیا ہے کیونکہ ملکی درآمدات نے پچھلے سات سالوں میں 13% کی کمی کے بعد مالی سال 18ء میں 13.7% کی دوہندسی نمو کا مشاہدہ کیا ہے۔ انضباطی اقدامات جیسے ڈیوٹیز اور نرخوں میں اضافے بھی عائد کر دیا گیا ہے تاکہ درآمدات کو قابو کیا جائے جبکہ برآمد کنندگان کو ایکسپورٹ پیکیجز کے تسلسل کی شکل میں فروغ برآمدات کی ترغیب دی جا رہی ہے۔

پاکستانی روپے میں کمی، بڑھتی ہوئی تیل کی قیمتوں، شرح ہائے سود میں فرق کے اضافے اور تسلسل کے ساتھ طلب کی تشکیل کی روشنی میں، بینک دولت پاکستان نے مالی سال 18ء میں شرح پالیسی میں 6.5% تک (اور 7.5% تک جولائی 2018ء میں) اضافہ کر دیا تاکہ شرح سود کی اصل راہداری کو منظم کیا جائے۔

سال کے اختتام پر، ملک کی شبیہ کو مزید بگاڑ موڈیز کی طرف سے توقعات مستقبل کی پاکستان کی درجہ بندی میں مستحکم سے منفی متزلی تھا۔

بازار زر کا جائزہ:

مالی سال 18ء کے پورے پہلے نصف میں شرح رعایت کو مستحکم برقرار رکھنے کے بعد، بینک دولت پاکستان (ایس بی پی) نے دوسرے نصف کے دوران مالیاتی سختی کے موقف کو اختیار کیا جس کے ذریعے شرح پالیسی زرمبادلہ کے انحطاط پذیر ذخائر، بڑھتے افراط زر اور ایشیائے صرف کی قیمتوں میں اضافے کی

مدد سے مجموعی طور پر 0.75% تک بڑھادی اور 6.5% پر متعین کردی (جولائی 18 میں 7.5% تک مزید بڑھائی گئی مالی سال کے آغاز سے مارکیٹ پہلے ہی ڈالر میں اضافے کی توقع رہی لہذا شرح پالیسی میں پہلا اضافہ مارکیٹ کے شرکاء کیلئے حیرت انگیز نہیں تھا۔ میکرو اکنامک پہلو سے ادائیگی کے توازن کے بحران، کم ہوتے غیر ملکی زرمبادلہ کے ذخائر کا تعاقب بلند مالی خسارہ (6.8%) نے کیا اور مالی سال 19ء کے دوران بنیادی متوقع افراط زر 7% پھر ٹھہرے ہوئے اب تک مالیاتی سختی یا دباؤ پر منتج ہوتا ہوا دیکھا گیا۔

مجموعی طور پر بڑھتے ہوئے شرح رعایت سے ہم آہنگ، حکومتی دستاویز آمدن اور کائی بورڈ نے ان کی مالی سال 17 کی سطحوں کے مقابلے میں تیزی کا رجحان ظاہر کیا، ٹی بلز جو پہلے نصف تک تقریباً ساپٹ رہے، 120-80 بی پی ایس سے بڑھ گئے، پی آئی بی آمدن 179-86 بی پی ایس کی رینج میں بڑھ گئے، جبکہ کائی بورڈ، دسمبر 2017ء تک تقریباً ساپٹ رہنے کے بعد، ایس بی پی کی شرح سود میں اضافے کے فیصلے کے بعد 107-78 بی پی ایس بڑھ گئے۔ مالیاتی سختی کی توقعات کے ساتھ مسلسل آگے بڑھتے ہوئے، اگلی سہ ماہی کے دوران آمدن میں مزید اضافے کی مشاہدہ کیا جاسکتا ہے۔

زرسیال (لیکیو یڈینی) محاذ پر، بازار زرنے مالی سال 18ء کے دوران زرسیال کا ایک سخت منظر نامے کا تسلسل سے سامنا کیا، جس کا ثبوت ایس بی پی کی جانب سے 71.9 کھرب کی مالیت کے اوایم اوئی کے ہیں، ساتھ ہی اس عرصے کے دوران 25 ٹی بلز اور 12 پی آئی بی آکشنز بھی منعقد کیے گئے۔ جس کے ذریعے مجموعی طور پر ٹی بلز نے 15.96 کھرب روپے کی چنگلی (مچھورٹی) اور 21.10 کھرب روپے کی شرکت کے مقابلے میں 17.02 کھرب روپے کی قبولیت کے ساتھ 1,060 ارب روپے کے خالص حصول قرض کا مشاہدہ کیا جبکہ پی آئی بی نے 1.58 کھرب روپے کی چنگلی اور 101.73 ارب روپے کی قبولیت کے ساتھ 1.48 کھرب روپے کے خالص قرض کی واپسی ملاحظہ کی، یہ ذہن نشین رکھنا مناسب ہوگا کہ ایس بی پی نے اس عرصے کے دوران 8 پی آئی بی مسترد کیے تھے (جس کی وجہ سے مالیاتی سختی کی توقعات کے سبب بازار کے شرکاء کی جانب سے سبک اور بلند آمدن/حصول شرکتیں تھیں) اور حکومت کا مجموعی خاکہ قرضہ جات بھی مؤثر طور پر طویل مدتی سے قلیل مدتی حصول قرضہ کی جانب منتقل ہو گیا۔

بازار زر کا شریعہ موافق سرے اکتارے نے بھی اس پورے مالی سال میں اجارہ صکوک کی قیمتوں میں تیزی سے کمی کا مشاہدہ کیا جس کی وجہ بڑھتی شرح سود کے منظر نامے کی باعث مقررہ شرح والے اجارہ صکوک کیلئے طلب میں کمی تھی، یہاں یہ بات قابل توجہ ہے کہ جاری چار اجارہ صکوک ایڈیٹوز میں سے تین مقررہ شرح یہ ہیں اور حکومت نے اس پورے مالی سال کے اندر کوئی بھی اجارہ صکوک آکشن (نیلام) منعقد نہیں کیا۔ نتیجتاً میوچل فنڈز جس میں اجارہ صکوک کی سرمایہ کاری ہے نے اس عرصے کے دوران منافع جات میں شدید گراؤ کا مشاہدہ کیا۔ تاہم، کارپوریٹ شعبے کی جانب سے صکوک اجراء کے ذریعے قرض اٹھانے کی ترجیح میں بتدریج اضافے کا مشاہدہ کیا جاتا رہا اس رجحان کے تسلسل سے توقع کی جاتی ہے کہ اسلامی مالیاتی اداروں کے پاس دستیاب بکثرت زرسیال کی توسیع کیلئے بہت اچھا رہے گا۔

بازار حصص کا جائزہ:

مالی سال 18ء کے دوران، بیسج مارک کے ایم آئی، 30 انڈیکس نے ایم ایس سی آئی انڈیکس میں اس کی شمولیت کے بعد غیر یقینی کے مرحلوں کا تجربہ کیا جس کے ساتھ معاشی اور سیاسی غیر یقینیوں کے ادوار بھی رہے۔ کے ایم آئی۔ 30 انڈیکس نے مالی سال کا اختتام 9.59% کی کمی 71,060 پوائنٹس پر بند کر کے کیا جبکہ کے ایس ای 100 انڈیکس نے 10% کی کمی سے سال کا اختتام 41,911 پوائنٹس پر کیا۔ شرکت سال کے دوران تسلسل کے ساتھ مندی پر رہی جبکہ کے ایم آئی۔ 30 انڈیکس اور کے ایس ای 100 انڈیکس کے اجماع (واہیز) علی الترتیب 37% اور 38% نیچے رہے۔

سال 18ء کے دوران مارکیٹ کی غیر یقینی اور مست کارکردگی کو کئی عناصر سے منسوب کیا جاتا ہے جس میں (i) سیاسی غیر یقینی (ii) بڑی معیشتوں کی کرنسیر کی نسبت پاکستانی روپے کی مستقل زیادہ قیمت (iii) غیر ملکی پورٹ فولیو کے مطلقاً آؤٹ فلوز (خراج)، اور (iv) میوچل فنڈز کی جانب سے صورتحال کی لیکویڈیشن (تصفیہ) شامل ہیں۔

بینچ مارک انڈیکس اس سال کے پہلے نصف کے دوران تسلسل کے ساتھ دباؤ میں رہا جسے مزید دباؤ مستقل سیاسی خلفشار نے فراہم کیا جس کے ساتھ ساتھ ملک کے اندر بڑھتا ہوا احتجاج اور مذہبی جماعتوں کی طرف سے طویل دھرنے بھی اپنا حصہ ڈالتے رہے۔ 19 دسمبر 2017ء پر 37,791 کی اپنی سب سے کم سطح چھوٹنے کے بعد ایس ای 100 نے دسمبر 2017ء کے آخری سیشنز کے دوران عارضی طور پر مندی کے رجحان نے تبدیلی دکھائی۔ 19 دسمبر 2017ء اور مالی سال کے دوسرے نصف کے دوران، مارکیٹ نے 20% سے زائد کی اچھی بحالی دکھائی یا اپریل 2018ء کے اوائل تک 8,700 پوائنٹس سے زیادہ کی وجہ سے مارکیٹ 47000 کی سطح پر پھر سے منظم ہو گئی۔ اسے ڈی کمپینیشن بل کی طویل انتظار کے بعد منظوری اور سینٹ کے بروقت انتخابات نے بھی مدد دی۔

تاہم، خراب ہوتی بیرونی حسابات کی صورتحال، گھٹتے ہوئے غیر ملکی زرمبادلہ کے ذخائر، سیاسی تشویش اور مالی سال 18ء کی آخری سہ ماہی میں غلبہ حاصل کرتی غیر ملکی فروخت، جس کے دوران دسمبر 2017ء کے وسط کے بعد حاصل کردہ زیادہ تر فوائد جو انڈیکس کو حاصل ہوئے واپس ہو گئے جو معاشی چیلنجز میں اضافے کا سبب بنے۔ موڈیز کی جانب سے پاکستان کے قرض کی واپسی کی صلاحیت پر تو قعات مستقل میں ”منفی“ کی طرف تبدیلی نے سرمایہ کاروں میں مزید بے اعتمادی پھیلا دی اور وہ مالی سال 18ء کے آخری چند مہینوں کے دوران بالکل خاموش رہے۔

مختصر وقت میں کئی واقعات کے رونما ہونے اور ساتھ ہی اوپیک کی جانب سے پہلے سے اتفاق کردہ پیداواری کمی کی رضا کارانہ توسیع کی وجہ سے تیل کی قیمتوں میں تیزی رہی۔ ان واقعات میں دہشت گردی کے واقعے کی وجہ سے ایران میں پائپ لائن کی بندش اور شمالی بحرہ میں مرمت و دیکھ بھال کیسے مستقبل میں فراہمی کے شکوک و شبہات کو ہوادی گئی مشرق وسطیٰ میں کشیدگیوں اور مالی سال 18ء تک دوسری سہ ماہی کے اواخر میں ایران میں بے چینی نے بھی تیل کی قیمتوں کو پروان چڑھایا کیونکہ ملک کے اندر بڑے بڑے احتجاجات نے تیل کی فراہمی کے انفراسٹرکچر کو متاثر کرنے کی دھمکی دی تھی۔

اس کے علاوہ، امریکہ کی جانب سے ایران کے خلاف پابندیوں کی تجدید کے اعلان نے خیال کیے گئے فراہمی کی رکاوٹ نے تیزی کی طرف راہ ہموار کی۔ برینٹ کروڈ نے اس سال 54.62% تک 79.23 ڈالر فی بیرل پر بن ہو کر اختتام کیا۔

انڈیکس کے بڑے حصے دار:

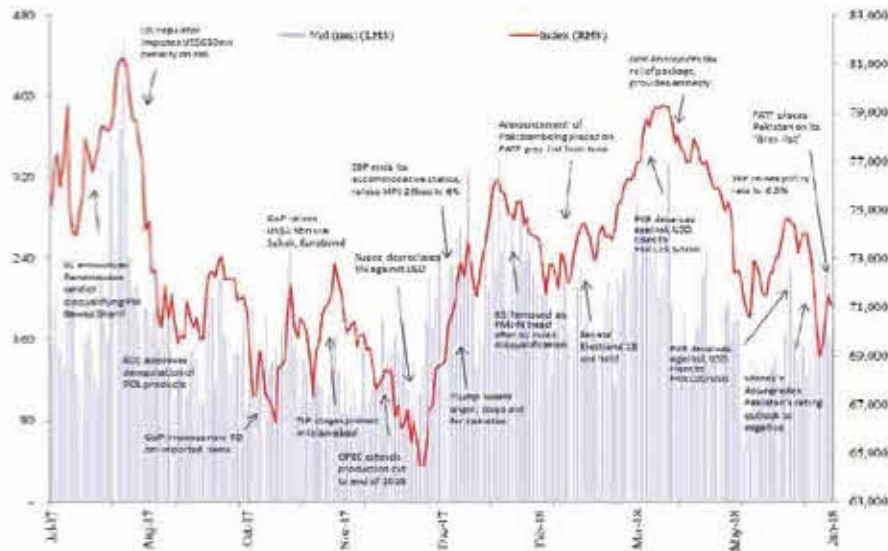
اس مالی سال کے دوران، آئل اور گیس ایکسپلوریشن مثبت حصے دار شعبوں میں شامل تھا اس عرصے کے دوران کے ایم آئی 30 انڈیکس میں بڑے حصے دار اسٹاکس یہ ہے۔

| انڈیکس میں مثبت کارکردگی کے شراکت دار | KMI-30 میں شرکت (پوائنٹس) | کل منافع فیصد |
|---------------------------------------|---------------------------|---------------|
| پاکستان پٹرولیم لمیٹڈ | 2,689 | 53 |
| پاکستان آئل فیلڈز لمیٹڈ | 2,008 | 58 |
| اینکر و فریٹائرز لمیٹڈ | 1,246 | 55 |
| آئل اینڈ گیس ڈیولپمنٹ کولمبیٹڈ | 1,165 | 18 |
| اینکر و پالمر اینڈ کیمیکلز لمیٹڈ | 145 | 37 |

دوسری جانب، سیمنٹ، بینکس، فارماسیوٹیکلز، کیبل اور الیکٹریکل اور آٹو زائمنجائی بڑے حصہ دار شعبے رہے اس عرصے کے دوران کے ایم آئی۔30 انڈیکس میں سب سے ستیر ہے۔

| انڈیکس میں منفی کارکردگی کے شراکت دار | KMI-30 میں شرکت (پوائنٹس) | کل منافع فیصد |
|---------------------------------------|---------------------------|---------------|
| کئی سیمنٹ لمیٹڈ | -2,864 | -37 |
| ڈی جی خان سیمنٹ کولمبیٹڈ | -1,556 | -43 |
| پاک الیکٹرون لمیٹڈ | -1,301 | -66 |
| حب پاور کولمبیٹڈ | -1,033 | -16 |
| مہپل ایف سیمنٹ فیکٹری لمیٹڈ | -956 | -52 |

اس عرصے کے دوران KMI-30 کی مجموعی حرکت کو درج ذیل گراف سے دیکھا جاسکتا ہے:



حصص کا بہاؤ:

اس سال کے دوران غیر ملکی پورٹ فولیو (محفظہ) منفی رہا، خروج غیر ملکی سرمایہ کاروں کی جانب سے زیر جائزہ عرصے کے دوران خالص فروخت 289 ملین ڈالر لگ بھگ کے ساتھ پاکستان اس کے باوجود بھی فرنیچر مارکیٹ انڈیکس سے ایم ایس سی آئی ایمر جگ مارکیٹس انڈیکس میں آ گیا۔ 150 ملین ڈالر اور 100 ملین ڈالر اور 100 ملین ڈالر کے بڑے غیر ملکی خروج (آؤٹ فلوز) بینکنگ اور آئل اینڈ گیس ایکسپوریشن شعبوں میں ریکارڈ کیے گئے جو کہ اس سال کے دوران خالص خروج کے بڑے حصے کیلئے مجموعی طور پر شمار کیے جاتے ہیں اس کے بعد سیمنٹ اور فرنیچر شعبے 35 ملین ڈالر اور 27 ملین ڈالر علی الترتیب کے خروج کے ساتھ سب سے آگے ہیں۔ اس عرصے کے دوران، میوچل فنڈز 34 ملین ڈالر کے لگ بھگ مالیت کے خالص فروخت کنندگان تھے جبکہ انشورنس کمپنیز اور کارپوریشن 204 ملین ڈالر اور 100 ملین ڈالر علی الترتیب مالیت کے خالص خریدار تھے، بینکس، افراد، این بی ایف سیز، دیگر اور بروکرز مجموعی طور پر 20 ملین ڈالر مالیت کے خالص خریدار تھے۔

میوچل فنڈ انڈسٹری کا جائزہ:

مالی سال 18ء کے دوران، میوچل فنڈز کی صنعت کی جسامت، زیر انتظام اثاثہ جات کے لحاظ سے پیمائش کروہ، 2.00% کم ہو کر 604 ارب روپے رہی شریعہ موافق محاذ پر، زیر انتظام اثاثہ جات 9.2% تک کم ہو کر 226 ارب روپے رہے جس کے ذریعے میوچل فنڈز انڈسٹری میں شریعہ موافق فنڈ کا حصہ 37.5% تک گھرا گیا۔

اوپن اینڈ ایکویٹی فنڈز (بشمول انڈیکس ٹریڈر فنڈ) 15.8% تک کم ہو کر 264 ارب روپے ہو گئے جس کی وجہ پاکستان کے بازار حصص کی سست کارکردگی تھی۔ اس کیلگری میں کنوینشنل فنڈز 12.5% تک کم ہو گئے جبکہ شریعہ موافق اختیار کے ساتھ فنڈز 20.3% تک کم ہو کر 106 ارب روپے کی جسامت پر آ گئے مالی سال 18ء کے دوران، اوپن اینڈ انکم اور منی مارکیٹ فنڈز کی جسامت 19.9% تک بڑھ کر 257 ارب روپے ہو گئی، اسی کیلگری میں کنوینشنل فنڈز نے 22.4% کے اضافے کو درج کیا جس سے کم اسی کیلگری کے تحت شریعہ موافق فنڈز کی جانب سے 13.2% سے زائد کی شرح کا مشاہرہ کیا گیا۔

کیو پیٹل پروڈیکٹس، بیلسنڈ اور ایسٹ ایلو کیٹن اختیار کے تحت خالص اثاثہ جات 9.3% تک کم ہو کر 57 ارب روپے کو پہنچ گئے اس کیلگری میں کنوینشنل فنڈز 9.3% تک تنزیل کا شکار ہے اور اس عرصے میں شریعہ موافق فنڈز 9.4% تک کم ہو گئے۔ اس صنعت میں کموڈٹی اینڈ ایکویٹی کی جسامت 30 جون 2017ء کے مطابق 672 ملین روپے کے مقابلے میں 242 ملین روپے تک کم ہو گئی جو 64.0% کی کمی عکاسی کرتی ہے یہ بات قابل ذکر ہے کہ میزبان گولڈ فنڈ (ایم جی ایف) اب اس کیلگری کے تحت پیش کیا جانے والا واحد فنڈ ہے۔

والٹری ہینشن فنڈز زیر جائزہ عرصہ کے دوران بمطابق 30 جون 2018ء 26 ارب روپے پر ان کے مجموعی فنڈ جسامت کے ساتھ 3.3% تک بڑھ گئے ہیں، شریعہ موافق پیش فنڈز زیر جائزہ عرصہ کے دوران تقریباً 17 ارب روپے تک 4.1% سے بڑھ گئے ہیں۔

میوچل فنڈ انڈسٹری میں المیزان کا حصہ 15.4% ہے جبکہ شریعہ موافق فنڈز میں، یہ تسلسل کے ساتھ 41.2% کے مارکیٹ شیئر کے ساتھ پیشرو کے مقام پر فائز ہے۔ المیزان نے شریعہ موافق ہینشن فنڈز مارکیٹ اور مجموعی ہینشن فنڈز مارکیٹ میں علی الترتیب 35.3% اور 54.9% مارکیٹ شیئر کے ساتھ ہینشن فنڈ مارکیٹ کی بھی تسلسل سے قیادت کر رہا ہے۔

کارکردگی کا جائزہ (فنز)

ذیل میں فراہم کردہ جدول اس سال کیلئے ہماری زیر انتظام فنڈز کی کارکردگی کا خلاصہ پیش کرتا ہے:

| Funds | Type | Net Assets Rs. in millions | Growth in Net Assts for FY18 (%) | Returns for FY18 (%) | Benchmark for FY18 (%) |
|--|---------------------|----------------------------------|--|----------------------------|------------------------------|
| Equity Funds | | | | | |
| Al Meezan Mutual Fund (AMMF) | Equity | 6,864 | -24 | -16 | -10 |
| Meezan Islamic Fund (MIF) | Equity | 39,115 | -29 | -17 | -10 |
| KSE Meezan Index Fund (KMIF) | Equity | 1,687 | -12 | -11 | -10 |
| Meezan Energy Fund (MEF) | Equity | 1,637 | 44 | -1 | -10 |
| Meezan Dedicated Equity Fund (MDEF)** | Equity | 1,857 | - | -3 | 4 |
| Fixed Income Funds | | | | | |
| Meezan Islamic Income Fund (MIIF) | Income | 10,166 | -14 | 4 | 2 |
| Meezan Cash Fund (MCF) | Money Market | 9,921 | 196 | 4 | 3 |
| Meezan Sovereign Fund (MSF) | Income | 2,121 | -51 | 3 | 5 |
| Balanced Fund | | | | | |
| Meezan Balanced Fund (MBF) | Balanced | 7,843 | -18 | -9 | -4 |
| Fund of Funds | | | | | |
| Meezan Financial Planning Fund of Fund | | | | | |
| Aggressive | Fund of Fund | 497 | -20 | -12 | -6 |
| Moderate | | 309 | -24 | -7 | -3 |
| Conservative | | 290 | -30 | -2 | 0 |
| MAAP I | | 829 | -34 | -6 | -5 |
| MAAP-II# | | | -2 | -14 | -10 |
| MAAP III | | 2,190 | -25 | -13 | -7 |
| MAAP-IV | | 508 | -41 | -14 | -7 |
| Meezan Strategic Allocation Fund | | | | | |
| MSAP-I | | 1,945 | -26 | -13 | -7 |
| MSAP II | | 1,289 | -22 | -13 | -7 |
| MSAP-II | | 1,423 | -19 | -13 | -7 |
| MSAP IV | | 1,666 | -16 | -12 | -6 |
| MSAP-V* | | 521 | - | -3 | 3 |
| MSAP MCPP III*** | | 1,365 | - | 0 | 0 |
| Meezan Strategic Allocation Fund - II | | | | | |
| MSAP-II-MCPP-IV**** | | 2,115 | - | 0 | -1 |
| MSAP II MCPP V***** | 733 | - | 0 | 0 | |
| Commodity Fund | | | | | |
| Meezan Gold Fund (MGF) | Commodity | 243 | -47 | 12 | 13 |
| Asset Allocation Fund | | | | | |
| Meezan Asset Allocation Fund (MAAF) | Asset Allocation | 2,877 | -12 | -12 | -7 |
| Pension Fund Scheme | | | | | |
| Meezan Tahaffuz Pension Fund | Pension Fund Scheme | | | | |
| Equity sub Fund | | 5,432 | -6 | -16 | |
| Debt sub Fund | | 2,762 | 10 | 3 | |
| Money Market sub Fund | | 1,014 | 53 | 3 | |
| Gold Sub Fund | | 50 | 16 | 12 | |

* Launched on August 10, 2017, ** Launched on October 09, 2017, *** Launched on December 19, 2017

**** Launched on Mar 06, 2018, ***** Launched on May 04, 2018, # Matured on Jan 11, 2018,

توقعات:

مالی سال 18ء میں ایک دہائی سے بھی زیادہ عرصے میں بلند ترین شرح نمو ریکارڈ کر لینے کے بعد، پاکستان اب مالی سال 19ء میں استحکام کی جانب بڑھ رہا ہے کیونکہ بینک دولت پاکستان نے آئندہ سال کیلئے شرح نمو کے ہدف کو 5.5% سے بدل لیا ہے۔ حکومت کی جانب سے کچھ محدود کردینے والے

اقدامات لیے گئے ہیں جس میں مالیاتی صنعتی اور روپے کی قدر میں کمی شامل ہیں، جو کہ ممکنہ طور پر آئندہ مالی سال میں بھی جاری رہیں گے۔ ان اقدامات کو اس لیے ضمانت حاصل ہے کہ پاکستان کی ادائیگی قرضہ کی صلاحیت اور بیرونی حسابات کی بگڑتی صورتحال کو قابو کیا جائے۔

مالی سال 19ء میں بھی معاشی چیلنجز اسی طرح جاری و ساری رہیں گے، ہمیں یقین ہے کہ انتخابات کے بروقت اختتام اور حکومت کی باگ دوڑ کی تیزی سے تبدیلی جاری سیاسی منظر نامے کی صورتحال کو ہموار کرنے کے لحاظ سے دو گنا مثبت اثر چھوڑے گی اور معاشی صورتحال کو بہتر بنائے گی۔ نئی حکومت کے برسر اقتدار آنے کے ساتھ ہی، چارہ سازی کے اقدامات جلد نافذ کر دیے جائیں گے، جس سے پاکستان کی معیشت کو اس کی پستی سے اٹھانے میں مدد ملے گی۔

ایشیائے صرف کے محاذ پر تیل کی بین الاقوامی قیمتوں میں غیر یقینی صورتحال جنم لے سکتی ہے۔ امریکہ اور چین کی تجارتی جنگ کے ممکنہ طور پر رونما ہوجانے کے ساتھ، معاشی سست روی دنیا بھر میں دیکھی جاسکتی ہے، جس کے ذریعے تیل کی بین الاقوامی قیمتوں پر دباؤ بڑھ جائے گا۔ اسی سبب سے، سونا کی قیمتوں میں بہتر کارکردگی دیکھی جاسکتی ہے اگر آئندہ مالی سال کے دوران تشویش میں مزید اضافہ ہو جاتا ہے۔ عالمی معاشی منظر نامے میں غیر یقینی و طیران پذیری بھی سونے کیلئے طلب کو محفوظ رکھ سکتی ہے۔

فلسڈ اکٹم یعنی مقررہ آمدن کے پہلو سے، سخت مالیاتی پالیسی کی توقع کی جاتی ہے تاکہ اس کے ذریعے شرح ہائے سود اور ماہی حاصل یا آمدنیوں پر تیزی کے رجحان کو برقرار رکھا جائے۔ بازار زر کے شریعہ موافق سرے پر، بہر حال نئے حکومتی اجارہ صکوک اور کارپوریٹ صکوک کے اجراء حقیقی طور پر اہم ہوں گے تاکہ فاضل زریالی کے تنازع سے بچا جائے۔

آڈٹرز:

| No. | Name of Fund | Name of auditors as of June 30, 2018 | Status of appointment for the year ending June 30, 2019 |
|-----|---|---|---|
| 1 | MEEZAN ISLAMIC FUND | M/s A.F. Ferguson & Co., Chartered Accountants | Eligible for re-appointment |
| 2 | MEEZAN SOVEREIGN FUND | | |
| 3 | AL MEEZAN MUTUAL FUND | | |
| 4 | MEEZAN BALANCED FUND | | |
| 5 | MEEZAN ISLAMIC INCOME FUND | | |
| 6 | MEEZAN CASH FUND | | |
| 7 | KSEMEEZAN INDEX FUND | | |
| 8 | MEEZAN FINANCIAL PLANNING FUND OF FUNDS | | |
| 9 | MEEZAN GOLD FUND | | |
| 10 | MEEZAN ASSET ALLOCATION FUND | | |
| 11 | MEEZAN ENERGY FUND | | |
| 12 | MEEZAN STRATEGIC ALLOCATION FUND | | |
| 13 | MEEZAN STRATEGIC ALLOCATION FUND II | | |
| 14 | MEEZAN DEDICATED EQUITY FUND | | |
| 15 | MEEZAN TAHAFFUZ PENSION FUND | M/s Deloitte Yousuf Adil, Chartered Accountants | Eligible for re-appointment |

بورڈ اجلاس:

بورڈ اجلاس اور حاضری کی تفصیلات فنڈز کے مالیاتی گوشواروں کے ملاحظیات (نوٹس) میں دی گئی ہیں:

بورڈ آڈٹ کمیٹی (بی اے سی):

30 جون 2018ء کو ختم شدہ سال کے دوران، پانچ بی اے سی اجلاس منعقد ہوئے۔ درج ذیل میں بورڈ آف ڈائریکٹرز کی حاضریاں درج ہیں:

| Name of Director | 22-Aug-17 | 18-Oct-17 | 06-Feb-18 | 08-Mar-18 | 16-Apr-18 |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| Mr. P. Ahmed | ✓ | ✓ | - | - | - |
| Mr. Moin M. Fudda | - | - | ✓ | ✓ | ✓ |
| Mr. Mazhar Sharif | ✓ | ✓ | - | - | - |
| Syed Amir Ali | ✓ | ✓ | ✓ | ✓ | - |
| Mr. Naeem Sattar | - | - | ✓ | ✓ | ✓ |

رسک مینجمنٹ کمیٹی (آرایم سی):

30 جون 2018ء کو ختم شدہ سال کے دوران، چار آرایم سی اجلاس منعقد ہوئے۔ درج ذیل میں بورڈ آف ڈائریکٹرز کی حاضریاں درج ہیں:

| Name of Director | 22-Aug-17 | 18-Oct-17 | 6-Feb-18 | 9-May-18 |
|---------------------|-----------|-----------|----------|----------|
| Mr. P. Ahmed | ✓ | ✓ | - | - |
| Mr. Mazhar Sharif | ✓ | ✓ | - | - |
| Syed Amir Ali | ✓ | ✓ | ✓ | - |
| Mr. Mohammad Shoaib | ✓ | ✓ | ✓ | ✓ |
| Mr. Moin M. Fudda | - | - | ✓ | - |
| Mr. Naeem Sattar | - | - | ✓ | ✓ |
| Mr. Abdullah Ahmed | - | - | - | ✓ |
| Syed Amir Ali Zaidi | - | - | - | ✓ |

ہیومن ریسورس اینڈ ریویو نیشن کمیٹی (ایچ آراینڈ آرسی):


30 جون 2018ء کو ختم شدہ سال کے دوران دو ایچ آراینڈ آرسی اجلاس منعقد ہوئے۔ درج ذیل میں بورڈ آف ڈائریکٹرز کی حاضریاں درج ہیں:

| Name of Director | 21-Aug-17 | 7-Feb-18 |
|-----------------------------|-----------|----------|
| Mr. Ariful Islam - Chairman | ✓ | ✓ |
| Mr. Mohammad Shoaib, CFA | ✓ | ✓ |
| Mr. Ijaz Farooq | ✓ | - |
| Mr. Mazhar Sharif | ✓ | - |
| Mr. Naeem Sattar | - | ✓ |
| Mr. Atif Azim | - | ✓ |

اعتراف:

ہم اس موقع کو غنیمت جانتے ہوئے ہمارے گرانقدر سرمایہ کاروں سے ان کے لمیز ان انویسٹمنٹس پر یقین کیلئے شکریہ ادا کرتے ہیں جس سے یہ پاکستان کے نجی شعبے میں سب سے بڑی ایسٹینٹ مینجمنٹ کمپنی بن گئی ہے۔ ہم ضابطہ کار، ایس ای سی پی اور ہمارے ٹرسٹی، سینٹرل ڈپازٹری کمپنی آف پاکستان سے بھی ان کی بھرپور اعانت و مدد کیلئے اظہار تشکر کرتے ہیں۔ اس کے علاوہ میزان بینک کے اراکین شریعہ سپروائزر بورڈ کا بھی ان کے مسلسل تعاون اور فنڈ مینجمنٹ کے شریعہ سے متعلق پہلوؤں پر ان کی رہنمائی کے لئے دل کی گہرائیوں سے اظہار تشکر بجالاتے ہیں۔

برائے و بجانب بورڈ



محمد شعیب، سی ایف اے
چیف ایگزیکٹو آفیسر

مورخہ 9 اگست 2018ء





Meezan Islamic Fund

MEEZAN ISLAMIC FUND (MIF)

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





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoab, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | 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

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Allied Bank Limited
Al Baraka Islamic Bank B.S.C (E.C)
Askari Bank Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Bank Alfalah Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited - Islamic Banking
Habib Bank Limited - Islamic Banking

Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
Samba Bank Limited
Sindh Bank 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, SITE, Karachi.
Phone: 38103538 Fax: 36406017
Website: www.meezanbank.com

DISTRIBUTORS

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





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Open end equity fund

Objective

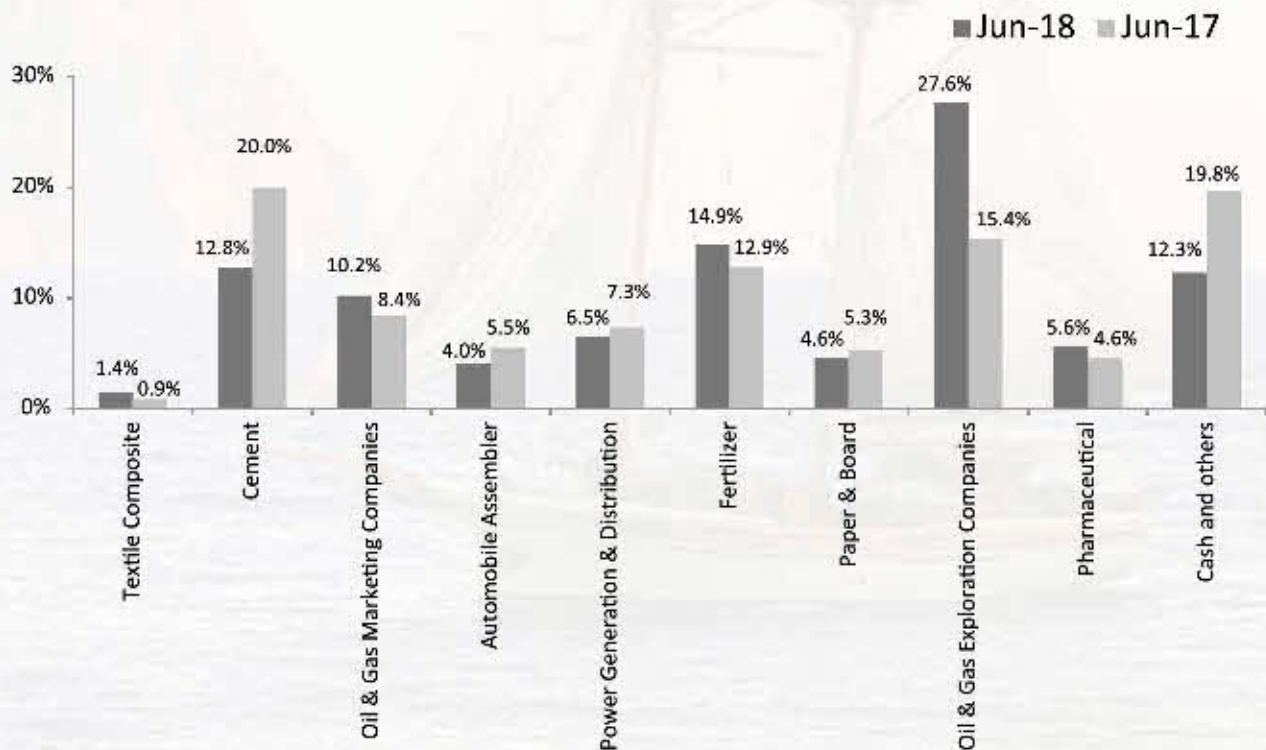
The objective of MIF is to provide optimum returns to the investors from investment in Shariah Compliant stocks for the given level of risk, while abiding by all applicable rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), dividend income and other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

Strategy, Investment Policy and Asset Allocation

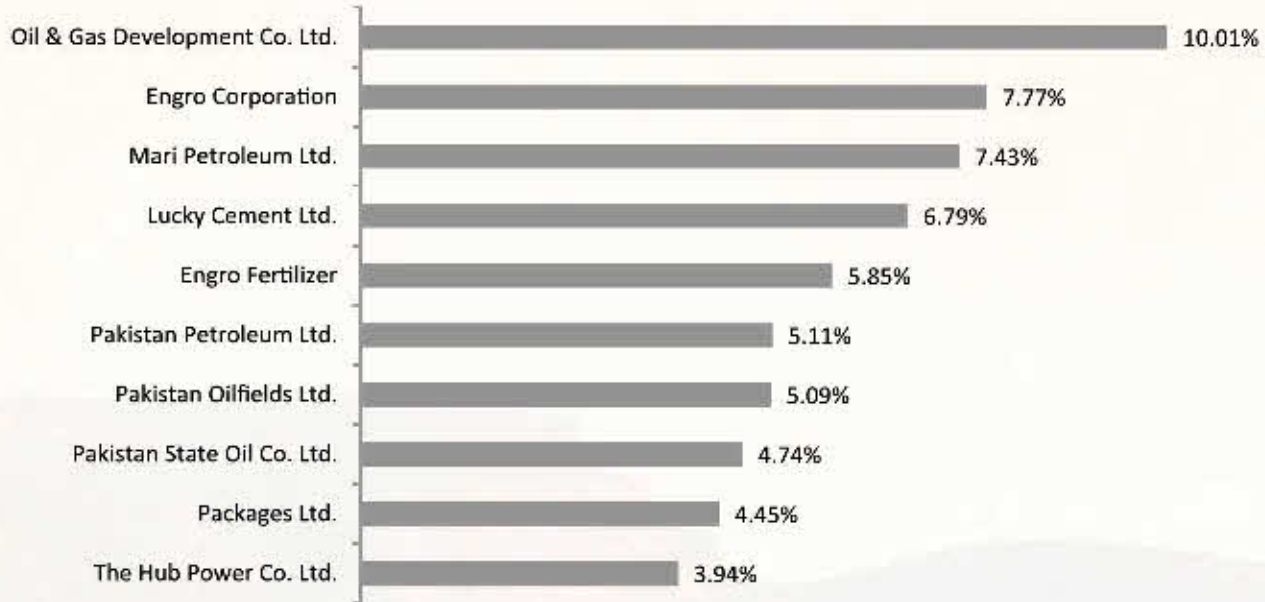
The performance of MIF is linked directly to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against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

During the year, the fund increased its equity exposure to as high as 97% in line with the market trend. However, it maintained an average exposure close to 95% in equities during the year, while closing the year at 95% as well. The fund initially maintained a heavy exposure to the Cement sector. However, exposure to cement sector was gradually reduced due to weak outlook and was shifted to Oil and gas exploration and Marketing sectors. Exposure in Fertilizer and Paper and Board sectors was maintained throughout the year.

Sector Allocation for the year ended FY17 and FY18



Top Holdings



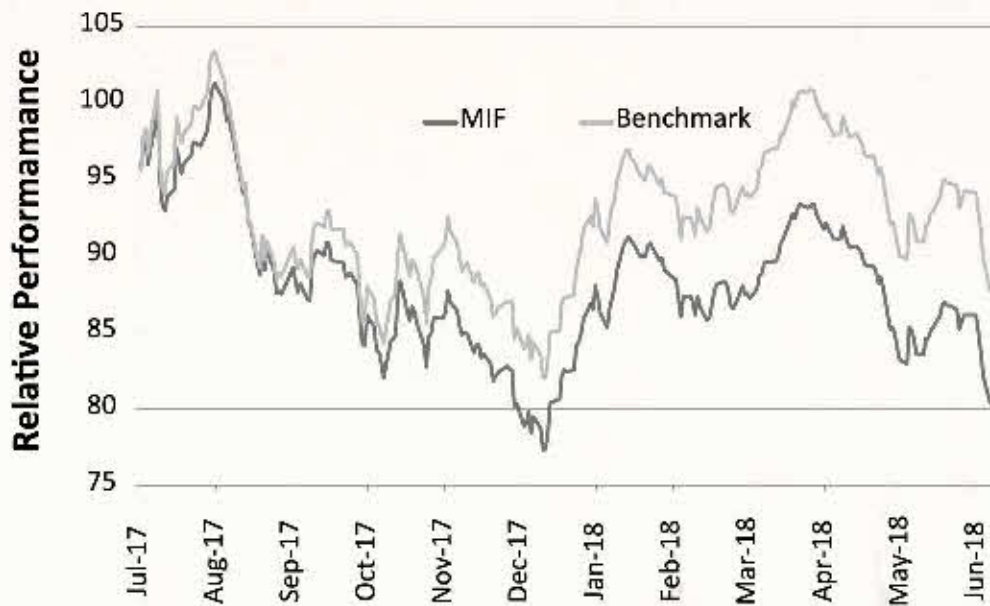
Performance Review

During fiscal year 2018, Meezan Islamic Fund (MIF) provided a negative return of 17.11% to its investors while KSE Meezan Index (KMI 30) depreciated by 9.59% to close at 71,060 pts.

MIF posted a total loss of Rs. 7,009 million in the fiscal year 2018 as compared to a total income of Rs. 8,572 million last year. Total loss comprised of realized and unrealized losses on investments of Rs. 2,894 million and Rs. 6,346 million respectively. Dividend income contributed Rs. 2,055 million to income, while profit on saving accounts with banks amounted to Rs. 176 million. After accounting for expenses of Rs. 1,378 million, the Fund posted a net loss of Rs. 8,388 million. The net assets of the Fund as at June 30, 2018 were Rs. 39,115 million as compared to Rs. 54,853 million at the end of year depicting a decline of 28.69%. The net asset value per unit as at June 30, 2018 was Rs. 63.33 as compared to Rs. 76.41 per unit as on June 30, 2017.

| | MIF | KMI-30 |
|---|---------|--------|
| Net Asset Value (NAV) as on June 30, 2017 - Rs. | 76.41 | 78,598 |
| Net Asset Value (NAV) as on June 30, 2018 - Rs. | 63.33 | 71,060 |
| Return During the Period | -17.11% | -9.59% |





Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2018 an amount of Rs. 30.50 million was accrued as charity payable.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.

Summary of Actual Proxy Voted By the Fund

| | Resolutions | For | Against | Abstain |
|------------|-------------|------|---------|---------|
| Number | 6 | 6 | - | - |
| Percentage | 100% | 100% | - | - |

The proxy voting policy of Al Meezan Investment Management Limited, duly approved by Board of Directors of the Management Company, is available on the website www.almeezangroup.com. A detailed information regarding actual proxies voted by the Management Company in respect of funds is also available without charge, upon request, to all unit holders.

Breakdown of unit holdings by size:

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|-------------------|------------------|
| 1 - 9,999 | 20,181 |
| 10,000 - 49,999 | 4,890 |
| 50,000 - 99,999 | 758 |
| 100,000 - 499,999 | 493 |
| 500,000 and above | 111 |
| Total | 26,433 |



Meezan Bank
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

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

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

- i. We have reviewed and approved the modes of investments of MIF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MIF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 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) |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| Engro Corporation Ltd | Fertilizer | 29.53% | 21.57% | 3.03% | 65% | (75.29) | |
| Marri Petroleum Ltd | Oil & Gas Exploration Companies | 6.30% | 13.35% | 0.63% | 43% | (440.91) | |
| Lucky Cement | Cement | 10.50% | 0.00% | 3.23% | 68% | (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) | |
|-------------------------|---------------------------------|--------|--------|-------|-----|---------|--------|
| Engro Fertilizer | Fertilizer | 29.63% | 7.32% | 0.12% | 77% | (32.84) | |
| Pakistan Petroleum Ltd. | Oil & Gas Exploration Companies | 0.06% | 20.86% | 3.79% | 43% | 39.29 | 205.91 |
| Pakistan Oil Fields | Oil & Gas Exploration Companies | 0.00% | 0.01% | 2.00% | 72% | (40.74) | |
| Pakistan State Oil** | Oil & Gas Marketing Companies | 20.44% | 0.57% | 0.33% | 19% | 119.42 | 293.11 |

* 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.

*** PSO scrip has been considered compliant due to circular debt issue.

- ii. On the basis of information provided by the management, all operations of MIF for the year ended June 30, 2018 have been in compliance with the *Shari'ah* principles.

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

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
Shari'ah Advisor

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Islamic Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Islamic Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|---|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above</p> | <p>We understood the requirements of the SPCP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|--|
| | <p>mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | |
| 2 | <p>Net Asset Value</p> | |
| | <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 37.19 billion and balances with banks aggregated to Rs 2.73 billion.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

ALL ✓





Meezan
Islamic Fund

A.F.FERGUSON & CO.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

All: w





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We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


Chartered Accountants

Karachi

Date: September 19, 2018



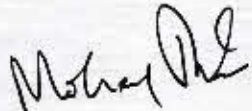
STATEMENT OF ASSETS AND LIABILITIES

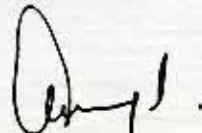
AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|--------------------|
| Assets | | | |
| Balances with banks | 4 | 2,730,709 | 4,188,108 |
| Investments | 5 | 37,188,682 | 50,448,864 |
| Receivable against conversion of units | | 98,887 | 1,530,182 |
| Dividend receivable | | 150,745 | 252,501 |
| Advances, deposits and other receivables | 6 | 22,332 | 38,484 |
| Total assets | | 40,191,355 | 56,458,139 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 7 | 195,109 | 191,995 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 8 | 3,805 | 5,277 |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 42,013 | 42,787 |
| Payable against redemption and conversion of units | | 183,929 | 109,957 |
| Payable against purchase of investments | | 16,430 | 64,953 |
| Payable to Meezan Bank Limited | | 1,254 | 7,780 |
| Dividend payable | | - | 345,340 |
| Accrued expenses and other liabilities | 10 | 634,161 | 837,341 |
| Total liabilities | | 1,076,701 | 1,605,430 |
| NET ASSETS | | 39,114,654 | 54,852,709 |
| UNITHOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 39,114,654 | 54,852,709 |
| CONTINGENCIES AND COMMITMENTS | 11 | | |
| NUMBER OF UNITS IN ISSUE | | 617,631,854 | 717,906,382 |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | | 63.3300 | 76.4100 |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

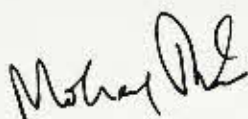
INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

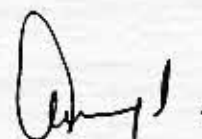
| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------------|
| Income | | | |
| Dividend income | | 2,055,136 | 1,613,259 |
| Profit on balances with banks | | 176,400 | 209,183 |
| Realised (loss) / gain on sale of investments - net | | (2,894,594) | 1,388,319 |
| Reversal of provision for Workers' Welfare Fund (WWF) | | - | 184,606 |
| Other income | | - | 4,010 |
| | | (663,058) | 3,399,377 |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.3 | (6,346,583) | 5,172,820 |
| Total (loss) / income | | (7,009,641) | 8,572,197 |
| Expenses | | | |
| Remuneration of Al Meezan Investment Management Limited - Management Company | 7.1 | 884,489 | 900,774 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 | 114,984 | 117,101 |
| Allocated expenses | 7.3 | 44,224 | 45,039 |
| Selling and marketing expenses | 7.4 | 176,898 | 73,826 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 8.1 | 45,224 | 46,039 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 5,879 | 5,985 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 9.1 | 42,013 | 42,787 |
| Brokerage expense | | 20,355 | 39,669 |
| Auditors' remuneration | 12 | 697 | 715 |
| Charity expense | 10.1 | 30,495 | 20,254 |
| Fees and subscription | | 5,239 | 5,337 |
| Printing expenses | | 995 | 1,789 |
| Legal and professional charges | | 67 | 730 |
| Bank and settlement charges | | 6,405 | 5,454 |
| Provision for Sindh Workers' Welfare Fund | 10.2 | - | 340,482 |
| Total expenses | | 1,377,964 | 1,645,981 |
| Net (loss) / income from operating activities | | (8,387,605) | 6,926,216 |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | 3.10 | - | 3,048,566 |
| Net (loss) / income for the year before taxation | | (8,387,605) | 9,974,782 |
| Taxation | 15 | - | - |
| Net (loss) / income for the year after taxation | | (8,387,605) | 9,974,782 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | - | - |
| Income already paid on units redeemed | | - | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | - | - |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| Net (loss) / income for the year after taxation | | (8,387,605) | 9,974,782 |
| Other comprehensive income / (loss) for the year | | | |
| <i>Income that may be re-classified subsequently to Income Statement</i> | | | |
| Net unrealised (diminution) / appreciation in the value of investments classified as 'available-for-sale' | 5.4 | (858,603) | 361,385 |
| Total comprehensive (loss) / income for the year | | (9,246,208) | 10,336,167 |

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

For Al Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018


| | 2018 | | | Total |
|--|-------------------|-------------------------------|---|-------------------|
| | Capital Value | Undistributed income / (loss) | Unrealised appreciation/ (diminution) on 'available for sale' investments | |
| | (Rupees in '000) | | | |
| Net assets at beginning of the year | 38,516,545 | 14,855,167 | 1,480,997 | 54,852,709 |
| Issue of 409,530,180 units | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 31,292,201 | - | - | 31,292,201 |
| - Element of income | (3,510,449) | - | - | (3,510,449) |
| Total proceeds on issuance of units | 27,781,752 | - | - | 27,781,752 |
| Redemption of 509,804,708 units | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 38,954,178 | - | - | 38,954,178 |
| - Element of income | (4,680,579) | - | - | (4,680,579) |
| Total payments on redemption of units | 34,273,599 | - | - | 34,273,599 |
| Total comprehensive loss for the year | - | (8,387,605) | (858,603) | (9,246,208) |
| Distribution of cash dividend | - | - | - | - |
| Net loss for the year less distribution | - | (8,387,605) | (858,603) | (9,246,208) |
| Net assets at end of the year | <u>32,024,698</u> | <u>6,467,562</u> | <u>622,394</u> | <u>39,114,654</u> |
| Undistributed income carried forward | | | | |
| - Realised income | | 12,814,145 | | |
| - Unrealised loss | | (6,346,583) | | |
| | | <u>6,467,562</u> | | |
| Accounting income available for distribution | | | | |
| - Relating to capital gains | | - | | |
| - Excluding capital gains | | - | | |

| | |
|--|----------------|
| | (Rupees) |
| Net assets value per unit at beginning of the year | <u>76.4100</u> |
| Net assets value per unit at end of the year | <u>63.3300</u> |

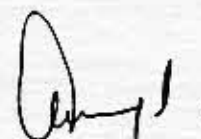
| | |
|---|-----------------------|
| | June 30, 2017 |
| | Rupees in '000 |
| Capital Value | 24,656,543 |
| Undistributed income brought forward | |
| - Realised | 4,499,430 |
| - Unrealised | 3,398,433 |
| Net assets at beginning of the year | <u>32,554,406</u> |
| Issuance of 666,511,267 units | 53,691,813 |
| Redemption of 440,267,429 units | (35,365,108) |
| | 18,326,705 |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | <u>(3,048,566)</u> |
| Net realised gain on sale of investment | 1,388,319 |
| Unrealised appreciation in the value of investments (net) | 5,534,205 |
| Other net income for the year | 3,413,643 |
| Total comprehensive income for the year | <u>10,336,167</u> |
| Interim distribution for the year ended June 30, 2017 | |
| - cash dividend @ 10% i.e. Rs. 5.00 per unit | (3,316,003) |
| Net income for the year less distribution | <u>7,020,164</u> |
| Net assets at end of the year | <u>54,852,709</u> |
| Represented by: | |
| Capital value | 39,997,542 |
| Undistributed income carried forward | |
| - Realised income | 9,682,347 |
| - Unrealised loss | 5,172,820 |
| | <u>54,852,709</u> |
| | (Rupees) |
| Net assets value per unit at beginning of the year | <u>66.2100</u> |
| Net assets value per unit at end of the year | <u>76.4100</u> |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the year before taxation | (8,387,605) | 9,974,782 |
| Adjustments for: | | |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | - | (3,048,566) |
| Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 6,346,583 | (5,172,820) |
| | 6,346,583 | (8,221,386) |
| Decrease / (increase) in assets | | |
| Investments - net | 6,054,996 | (14,360,250) |
| Dividend receivable | 101,756 | (203,943) |
| Advances, deposits and other receivables | 16,152 | (24,810) |
| | 6,172,904 | (14,589,003) |
| (Decrease) / Increase in liabilities | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 3,114 | 119,625 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | (1,472) | 2,328 |
| Payable to the Securities and Exchange Commission of Pakistan | (774) | 16,246 |
| Payable to Meezan Bank Limited | (6,526) | 5,867 |
| Dividend Payable | (345,340) | 345,340 |
| Payable against purchase of investment | (48,523) | (464,973) |
| Accrued expenses and other liabilities | (203,180) | 281,940 |
| | (602,701) | 306,373 |
| Net cash generated from / (used in) operating activities | 3,529,181 | (12,529,234) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net receipts from issuance of units | 29,213,047 | 53,471,427 |
| Net payments against redemption of units | (34,199,627) | (35,367,020) |
| Dividend paid | - | (3,316,003) |
| Net cash (used in) / generated from financing activities | (4,986,580) | 14,788,404 |
| Net (decrease) / increase in cash and cash equivalents | (1,457,399) | 2,259,170 |
| Cash and cash equivalents at the beginning of the year | 4,188,108 | 1,928,938 |
| Cash and cash equivalents at the end of the year | 2,730,709 | 4,188,108 |

4

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

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

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from





the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments | 01 July 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | 01 July 2018 |
| - IFRS 16 - Leases | 01 January 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 15).

2.5 Accounting convention

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

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistan Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the changes in accounting policies as explained in notes 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:





a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on equity securities

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from "other comprehensive income" to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

3.9 Distributions to unitholders

Distributions to the unitholders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.





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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unitholders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unitholders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unitholders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unitholders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unitholder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unitholders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted consequent to the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 1,170 million with no effect on the NAV per unit of the Fund. Furthermore, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unitholders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unitholders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unitholders' Fund' which have been incorporated in these statements.

3.11 During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income'

(representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in other comprehensive income in the period in which they arise.
- 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.
- Profit on bank deposit is recognised on time proportion basis using the effective yield method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

Deferred

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

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

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

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





3.16 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.17 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

| | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|-------------------------------|------|--------------------------|--------------------------|
| 4. BALANCES WITH BANKS | | | |
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 2,686,559 | 4,017,700 |
| Current account | | 44,150 | 170,408 |
| | | 2,730,709 | 4,188,108 |

4.1 The balances in saving accounts have expected profit rates ranging from 2.00% to 6.60% per annum (2017: 2.00% to 5.70% per annum).

| | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|--|-------|--------------------------|--------------------------|
| 5. INVESTMENTS | | | |
| At fair value through profit or loss | | | |
| Listed equity securities | 5.1 | 34,063,436 | 46,448,966 |
| Available-for-sale | | | |
| Listed equity securities | 5.2 | 3,125,246 | 3,999,898 |
| | | 37,188,682 | 50,448,864 |
| 5.1 Investment - at fair value through profit or loss | | | |
| Held for trading | 5.2.3 | 34,063,253 | 46,147,660 |
| Investments - designated at fair value through profit or loss upon initial recognition | 5.2.4 | 183 | 301,306 |
| | | 34,063,436 | 46,448,966 |

5.2 Available for Sale - Investments in listed equity securities

All shares have a nominal value of Rs. 10 each unless stated otherwise.

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|---|-------------------------|--------------------------|--------------------------------------|----------------------|------------------------------|------------------------------------|----------------------------------|---|
| | (Number of shares held) | | | | ----- (Rupees in '000) ----- | | ----- % ----- | |
| SECTORS / COMPANIES | | | | | | | | |
| Automobile assembler | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 233,700 | | | | 233,700 | 80,064 | 73,940 | 0.20% |
| Commercial Banks | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | 124,880 | - | - | 124,303 | 577 | 7 | 47 | 0.00% |
| BankIslami Pakistan Limited | 875 | - | - | - | 875 | 5 | 10 | 0.00% |
| Chemicals | | | | | | | | |
| KCI Pakistan Limited | 75 | | | | 75 | 10 | 60 | 0.00% |
| Cement | | | | | | | | |
| D.G. Khan Cement Company Limited | 60,900 | - | - | 60,900 | - | - | - | 0.00% |
| Lucky Cement Limited | 279,000 | - | - | - | 279,000 | 171,162 | 141,712 | 0.38% |
| Power Generation and Distribution | | | | | | | | |
| Hub Power Company Limited | 10,377,900 | | | | 10,377,900 | 656,997 | 956,427 | 2.57% |
| Paper and Board | | | | | | | | |
| Packages Limited | 2,027,850 | - | - | - | 2,027,850 | 965,943 | 993,079 | 2.67% |
| Oil and gas Marketing Companies | | | | | | | | |
| Pakistan State Oil Company Limited | 1,489,500 | | 297,900 | | 1,787,400 | 403,815 | 568,947 | 1.53% |
| Oil and gas Exploration Companies | | | | | | | | |
| Mari Petroleum Company Limited | 3,800 | - | - | 3,800 | - | - | - | 0.00% |
| Pakistan Oilfields Limited | 415,600 | - | - | - | 415,600 | 111,389 | 279,196 | 0.75% |
| Refinery | | | | | | | | |
| National Refinery Limited | 151 | | | | 151 | 28 | 67 | 0.00% |
| Pharmaceuticals | | | | | | | | |
| The Searle Company Limited | 234,498 | - | 46,899 | - | 281,397 | 100,765 | 95,534 | 0.26% |
| Fertilizers | | | | | | | | |
| Engro Corporation Limited | 5,000 | | | | 5,000 | 1,652 | 1,569 | 0.00% |
| Textile Composite | | | | | | | | |
| Nishat Mills Limited | 104,000 | - | - | - | 104,000 | 11,015 | 14,658 | 0.04% |
| Total as at June 30, 2018 | | | | | | 2,502,852 | 3,125,246 | 8.40% |
| Total as at June 30, 2017 | | | | | | 2,518,901 | 3,999,898 | |

5.2.1 The cost of listed equity securities as at June 30, 2018 is Rs. 2,502.852 million (2017: Rs. 2,518.901 million).

5.2.2 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance, 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the fund deposit tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitution 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, The Searle Company Limited, Highnoon Laboratories and Pakistan State Oil Company Limited (2017: The Searle Company Limited, Highnoon Laboratories and Al Shaheer Corporation Limited) have issued bonus shares after withholding 5% shares on account of tax on bonus shares. The shares withheld have not been deposited by the respective Companies with the Government Treasury due to the pending adjudication of the aforementioned Constitutional Petition and the related stay order in this regard.

5.2.3 At fair value through profit or loss - held for trading - Investment in listed equity securities

All shares have a nominal value of Rs. 10 each except for the shares of Thal Limited and Agriauto Industries Limited having face value of Rs. 5 per share and K-Electric Limited having face value of Rs. 3.5.

| Name of the Investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|--|-------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | (Number of shares held) | | | | (Rupees in '000) | | ----- % ----- | ----- % ----- |
| SECTORS / COMPANIES | | | | | | | | |
| Automobile assembler | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 2,763,200 | - | - | 263,000 | 2,500,200 | 2,169,399 | 791,038 | 2.13% |
| Ghandhara Industries Limited | - | 364,000 | - | - | 364,000 | 307,868 | 257,235 | 0.69% |
| Indus Motor Company Limited | 203,842 | - | - | 203,842 | - | - | - | 0.00% |
| Millat Tractors Limited | 116,900 | - | - | - | 116,900 | 160,672 | 138,884 | 0.37% |
| Pakistan Suzuki Motor Company Limited | - | 135,700 | - | 25,000 | 110,700 | 58,905 | 43,547 | 0.12% |
| Automobile parts and accessories | | | | | | | | |
| Ghandhara Nissan Limited | - | 1,862,972 | - | 120,000 | 1,742,972 | 393,821 | 313,160 | 0.84% |
| The General Tyre and Rubber Company of Pakistan Limited | - | 239,900 | - | 130,300 | 109,600 | 21,552 | 18,216 | 0.05% |
| Thal Limited | 102,307 | - | - | 102,300 | 7 | 4 | 3 | 0.00% |
| Chemicals | | | | | | | | |
| Engro Polymer & Chemicals Limited | 11,019,500 | 12,012,000 | - | 10,628,000 | 12,403,500 | 420,414 | 388,974 | 1.05% |
| ICI Pakistan Limited | 1,017,700 | 56,410 | - | - | 1,074,110 | 1,165,503 | 860,899 | 2.31% |
| Sitara Chemicals Industries Limited | 30,500 | - | - | - | 30,500 | 13,561 | 11,234 | 0.03% |
| Cement | | | | | | | | |
| Cherat Cement Company Limited | 7,093,212 | 25,000 | - | 681,000 | 6,437,212 | 1,149,211 | 625,890 | 1.68% |
| D.G. Khan Cement Company Limited | 8,889,922 | 1,623,800 | - | 4,458,900 | 6,054,822 | 1,227,994 | 693,217 | 1.86% |
| Dewan Cement Company Limited | - | 3,211,000 | - | 592,000 | 2,619,000 | 62,910 | 47,142 | 0.13% |
| Fauji Cement Company Limited | 20,185,500 | 1,152,500 | - | 21,336,000 | 2,000 | 82 | 46 | 0.00% |
| Kohat Cement Company Limited | 3,102,500 | 430,000 | - | 180,000 | 3,352,500 | 747,476 | 412,592 | 1.11% |
| Lucky Cement Limited | 5,144,329 | 411,250 | - | 477,750 | 5,077,829 | 4,179,383 | 2,579,182 | 6.94% |
| Maple Leaf Cement Factory Limited | 5,455,600 | 4,001,500 | - | 7,180,600 | 2,276,500 | 177,500 | 115,510 | 0.31% |
| Pioneer Cement Limited | 10,897,800 | 470,000 | - | 384,500 | 10,983,300 | 1,403,803 | 514,677 | 1.38% |
| Paper and board | | | | | | | | |
| Cherat Packaging Limited | 303,800 | 41,013 | - | - | 344,813 | 77,364 | 49,546 | 0.13% |
| Century Paper & Board Mills Packages Limited | - | 500 | - | - | 500 | 34 | 32 | 0.00% |
| Cherat Packaging Limited | 2,163,379 | 26,900 | - | 576,600 | 1,613,679 | 1,119,069 | 790,251 | 2.12% |
| Technology and communication | | | | | | | | |
| Avanceon Limited | - | 25,000 | - | - | 25,000 | 1,353 | 1,656 | 0.00% |
| Pakistan Telecommunication Company Limited "A" Systems Limited | 250,000 | 2,550,000 | - | 2,800,000 | - | - | - | 0.00% |
| | | 852,000 | | | 852,000 | 83,115 | 86,239 | 0.23% |
| Refinery | | | | | | | | |
| Attock Refinery Limited | 1,142,900 | 436,900 | - | 1,425,400 | 154,400 | 37,859 | 33,244 | 0.09% |
| National Refinery Limited | 153,955 | 95,000 | - | 159,800 | 89,155 | 57,028 | 39,497 | 0.11% |
| Miscellaneous | | | | | | | | |
| Shifa International Hospitals Limited | 40,988 | - | - | 40,900 | 88 | 29 | 24 | 0.00% |
| Commercial banks | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | 567,081 | 887,910 | - | 1,454,991 | - | - | - | 0.00% |

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|---|-------------------------|--------------------------|--------------------------------------|----------------------|-----------------------------|------------------------------------|----------------------------------|---|
| | (Number of shares held) | | | | ----- (Rupees in '000)----- | | ----- %----- | |
| Oil and gas marketing companies | | | | | | | | |
| Attock Petroleum Limited | 327,579 | | | | 327,579 | 205,205 | 193,268 | 0.52% |
| Hascol Petroleum Limited | 379,048 | 862,749 | | 261,400 | 980,397 | 289,613 | 307,609 | 0.83% |
| Hi Tech Lubricants Limited | 2,236,700 | 116,500 | | 317,700 | 2,035,500 | 218,444 | 206,237 | 0.55% |
| Pakistan State Oil Company Limited | 3,029,723 | 1,191,800 | 809,304 | 847,100 | 4,183,727 | 1,384,076 | 1,331,722 | 3.58% |
| Shell (Pakistan) Limited | 20,000 | - | - | 20,000 | - | - | - | 0.00% |
| Sui Southern Gas Company Limited | 4,532,500 | 4,238,000 | - | 7,077,000 | 1,693,500 | 62,119 | 55,581 | 0.15% |
| Sui Northern Gas Pipelines Limited | 14,986,000 | 6,072,500 | - | 6,800,200 | 14,258,300 | 1,963,129 | 1,428,967 | 3.84% |
| Oil and gas Exploration Companies | | | | | | | | |
| Oil and Gas Development Company Limited | 25,998,300 | 4,228,700 | - | 4,442,300 | 25,784,700 | 3,686,977 | 4,012,615 | 10.79% |
| Pakistan Oilfields Limited | 2,380,497 | 554,050 | - | 313,950 | 2,620,597 | 1,269,470 | 1,760,491 | 4.73% |
| Pakistan Petroleum Limited | 3,443,550 | 6,485,900 | - | 398,500 | 9,530,950 | 1,723,549 | 2,048,201 | 5.51% |
| Mari Petroleum Company Limited | 2,056,240 | 15,760 | - | 96,180 | 1,975,820 | 3,112,146 | 2,975,941 | 8.00% |
| Pharmaceuticals | | | | | | | | |
| Abbott Laboratories (Pakistan) Limited | 1,169,850 | 9,500 | - | 617,000 | 562,350 | 523,668 | 385,210 | 1.04% |
| AGP Limited | - | 5,623,500 | - | - | 5,623,500 | 496,483 | 499,311 | 1.34% |
| Ferozsons Laboratories Limited | 19,650 | - | - | 19,650 | - | - | - | 0.00% |
| Glaxo Smithkline Pakistan Limited | 816 | 50,000 | - | - | 50,816 | 9,461 | 8,435 | 0.02% |
| Glaxo Smithkline Consumer Healthcare Products Limited | 486,556 | 90,800 | - | 166,100 | 411,256 | 95,292 | 166,579 | 0.45% |
| Highnoon Laboratories Limited | 649 | - | 77 | - | 726 | 406 | 298 | 0.00% |
| The Searle Company Limited | 2,500,941 | 181,500 | 524,388 | 2,500 | 3,204,329 | 1,355,235 | 1,087,870 | 2.93% |
| Power generation and distribution | | | | | | | | |
| Hub Power Company Limited | 11,989,216 | 426,500 | - | 5,677,000 | 6,738,716 | 786,881 | 621,040 | 1.67% |
| K Electric Limited | 214,723,000 | 8,617,000 | - | 42,230,500 | 181,109,500 | 1,241,565 | 1,028,702 | 2.77% |
| Kohinoor Energy Limited | 510,000 | - | - | 510,000 | - | - | - | 0.00% |
| Cable and electrical goods | | | | | | | | |
| Pak Elektron Limited | 14,483,250 | 4,754,100 | - | 19,235,500 | 1,850 | 182 | 66 | 0.00% |
| Fertilizer | | | | | | | | |
| Dawood Hercules Corporation Limited | 5,254,500 | 122,000 | - | 873,100 | 4,503,400 | 612,957 | 498,887 | 1.34% |
| Engro Corporation Limited (note 5.2.3.2) | 14,597,900 | 1,310,767 | - | 5,998,400 | 9,910,267 | 3,206,469 | 3,110,436 | 8.36% |
| Engro Fertilizers Limited | 32,220,200 | 2,997,500 | - | 3,943,500 | 31,274,200 | 1,755,199 | 2,342,750 | 6.30% |
| Engineering | | | | | | | | |
| Amreli Steels Limited | 372,500 | 225,000 | - | 597,500 | - | - | - | 0.00% |
| Crescent Steel & Allied Products Limited | 641,900 | - | - | 571,300 | 70,600 | 16,843 | 6,437 | 0.02% |
| International Industries Limited | 454,700 | 375,700 | - | 93,000 | 737,400 | 255,972 | 171,291 | 0.46% |
| International Steel Limited | 3,198,000 | 1,210,000 | - | 1,420,000 | 2,988,000 | 371,251 | 303,880 | 0.82% |
| K.S.B. Pumps Company Limited | 89,900 | - | - | 10,000 | 79,900 | 25,169 | 22,372 | 0.06% |
| Mughol Iron and Steel Industries | - | 666,000 | - | 100,000 | 566,000 | 40,343 | 34,764 | 0.09% |
| Food and personal care products | | | | | | | | |
| Al Shaheer Corporation Limited | 3,094,241 | - | - | 3,033,500 | 60,741 | 2,436 | 1,655 | 0.00% |
| Engro Foods Limited | 894,521 | 270,500 | - | 1,150,800 | 14,221 | 1,694 | 1,267 | 0.00% |
| Vanaspati & Allied Industries | | | | | | | | |
| Unity Foods Limited | - | 1,159,000 | - | - | 1,159,000 | 31,905 | 33,936 | 0.09% |
| Textile composite | | | | | | | | |
| Kohinoor Textile Mills Limited | 2,000 | 14 | - | - | 2,014 | 211 | 111 | 0.00% |
| Nishat Mills Limited | 2,979,700 | 1,261,700 | - | 250,000 | 3,991,400 | 629,500 | 562,464 | 1.51% |
| Right Certificate | | | | | | | | |
| Engro Polymer & Chemicals Limited | - | - | 4,866,795 | - | 4,866,795 | - | 42,925 | 0.12% |
| Total as at June 30, 2018 | | | | | 40,409,759 | 34,063,253 | | 91.60% |
| Total as at June 30, 2017 | | | | | 41,113,953 | 46,147,660 | | |



5.2.3.1 1,000,000 shares of Engro Corporation Limited having market value market value of Rs 313.86 million (2017: Rs 325.91 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

5.2.4 Investments - designated at fair value through profit or loss upon initial recognition

| Name of the Investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|------------------------------|-------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | (Number of shares held) | | | | | (Rupees in '000) | | ----- % ----- |

SECTORS / COMPANIES

Commercial banks

| | | | | | | | | |
|---|-----------|---|---|-----------|---|---|---|---|
| Meezan Bank Limited (an associate of the Fund) | 3,810,706 | - | - | 3,810,706 | - | - | - | - |
|---|-----------|---|---|-----------|---|---|---|---|

Paper and Board

| | | | | | | | | |
|------------------|-----|--|--|--|-----|-----|-----|--|
| Packages Limited | 374 | | | | 374 | 260 | 183 | |
|------------------|-----|--|--|--|-----|-----|-----|--|

| | | | | | | | | |
|----------------------------------|--|--|--|--|------------|------------|--|--|
| Total as at June 30, 2018 | | | | | 260 | 183 | | |
|----------------------------------|--|--|--|--|------------|------------|--|--|

| | | | | | | | | |
|----------------------------------|--|--|--|--|----------------|----------------|--|--|
| Total as at June 30, 2017 | | | | | 162,193 | 301,306 | | |
|----------------------------------|--|--|--|--|----------------|----------------|--|--|

Note **2018** **2017**
(Rupees in '000)

5.3 Unrealised (diminution) / appreciation on re-measurement of investments classified as Financial assets at fair value through profit or loss

| | | | |
|-------------------------------|---------------|--------------------|------------|
| Market value of investments | 5.2.3 & 5.2.4 | 34,063,436 | 46,448,966 |
| Carrying value of investments | 5.2.3 & 5.2.4 | 40,410,019 | 41,276,146 |
| | | (6,346,583) | 5,172,820 |

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

| | | | |
|---|-----|------------------|-----------|
| Market value of investments | 5.1 | 3,125,246 | 3,999,898 |
| Carrying value of investments | 5.1 | 2,502,852 | 2,518,901 |
| | | 622,394 | 1,480,997 |
| Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1, 2017 / July 1, 2016 | | 1,480,997 | 1,119,612 |
| | | (858,603) | 361,385 |

6. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

| | | |
|---|---------------|--------|
| Security deposit with Central Depository Company of Pakistan Limited (CDC) | 100 | 100 |
| Security deposit with National Clearing Company of Pakistan Limited (NCCPL) | 2,500 | 2,500 |
| Advance against IPO subscription | 500 | - |
| Advance tax | - | 77 |
| Profit receivable on saving accounts with banks | 19,232 | 35,807 |
| | 22,332 | 38,484 |

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------|
| 7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY | | | |
| Management fee payable | 7.1 | 65,700 | 91,878 |
| Sindh Sales Tax payable on remuneration of the Management Company | 7.2 | 8,541 | 11,944 |
| Allocated expenses payable | 7.3 | 3,285 | 4,594 |
| Selling and marketing expenses payable | 7.4 | 114,604 | 73,826 |
| Sales load payable | | 2,636 | 8,631 |
| Sindh Sales Tax on sales load payable | | 343 | 1,122 |
| | | 195,109 | 191,995 |

7.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of an Equity Scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2017: 2%) per annum of the average net assets of the Fund during the year ended June 30, 2018. The remuneration is payable to the Management Company monthly in arrears.

7.2 During the year, an amount of Rs 114.984 million (2017: Rs 117.101 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs 118.387 million (2017: Rs 111.683 million) has been paid to the Management Company which acts as a collecting agent.

7.3 The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

7.4 The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund during the current year at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-------|
| 8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee fee payable | 8.1 | 3,367 | 4,670 |
| Sindh Sales Tax payable on trustee fee | 8.2 | 438 | 607 |
| | | 3,805 | 5,277 |





- 8.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1,000 million Rs 0.7 million or 0.20% per annum of NAV, whichever is higher
- on amount exceeding Rs 1,000 million Rs 2 million plus 0.10% per annum of NAV, on amount exceeding Rs 1,000 million

- 8.2** During the year, an amount of Rs 5.879 million (2017: Rs. 5.985 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 6.048 million (2017: Rs 5.717 million) was paid to the Trustee which acts as a collecting agent.

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 9.1** In accordance with the NBFC Regulations, a collective investment scheme classified as an Equity Scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|----------------|
| Auditors' remuneration payable | | 630 | 480 |
| Printing charges payable | | 321 | 755 |
| Shariah advisor fee payable | | 2,148 | 2,501 |
| Charity payable | 10.1 | 29,281 | 24,538 |
| Withholding tax payable | | 922 | 211,200 |
| Capital gain tax payable | | 4,291 | - |
| Provision for Sindh Workers' Welfare Fund | 10.2 | 340,482 | 340,482 |
| Zakat payable | | 185 | 193 |
| Sales load payable | | 11 | 1,070 |
| Sindh Sales Tax on sales load | | 1 | 139 |
| Other payables | | - | 94 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on sales load | 12.3 | 31,217 | 31,217 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on management fee | 10.3 | 224,672 | 224,672 |
| | | 634,161 | 837,341 |

- 10.1** According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the year ended June 30, 2018, non-shariah compliant income amounting to Rs 30.495 million (2017: Rs 20.254 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of the Shariah Advisor.

- 10.2** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that



mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.55 per unit (2017: Re 0.47 per unit).

- 10.3** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended 30 June 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 255.889 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.41 (2017: Re 0.36) per unit.

11. CONTINGENCIES AND COMMITMENTS

- 11.1 There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

12. AUDITORS' REMUNERATION

Annual audit fee
Half yearly review fee
Fee for other certifications
Out of pocket expenses

2018 **2017**
(Rupees in '000)

| | | |
|------------------------------|------------|-----|
| Annual audit fee | 509 | 405 |
| Half yearly review fee | 159 | 159 |
| Fee for other certifications | - | 100 |
| Out of pocket expenses | 29 | 51 |
| | 697 | 715 |





13. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 3.12% which includes 0.38% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal Excise Duties, Annual fee to the SECP etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity Scheme.

14. PERFORMANCE TABLE

| | 2018 | 2017 | 2016 | 2015 |
|---|-------------------|---------------|---------------|------------|
| Net assets (Rs. '000) (ex-distribution) | 39,114,651 | 54,852,709 | 32,554,406 | 26,416,256 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution) | 63.33 | 76.41 | 66.21 | 58.91 |
| Offer price per unit as at June 30, (Rs.) (ex-distribution) | 64.7613 | 78.14 | 67.96 | 60.48 |
| Highest offer price per unit (Rs.) | 79.16 | 94.09 | 72.03 | 63.92 |
| Lowest offer price per unit (Rs.) | 60.43 | 68.36 | 56.94 | 48.78 |
| Highest redemption price per unit (Rs.) | 77.41 | 92.01 | 70.17 | 62.26 |
| Lowest redemption price per unit (Rs.) | 59.09 | 66.85 | 55.47 | 47.40 |
| Distribution (%) | | | | |
| Interim | - | - | 5.90 | - |
| Final | - | 5.00 | 4.40 | - |
| Date of distribution | | | | |
| Interim | - | June 23, 2017 | June 23, 2016 | - |
| Final | - | - | July 3, 2015 | - |
| Income distribution (Rupees in '000) | - | - | - | - |
| Growth distribution (Rupees in '000) | - | 3,316,003 | 2,277,467 | - |
| Total return (%) | (17.12) | 22.96 | 17.40 | 21.64 |
| | One Year | Two Years | Three Years | Four Years |
| Average annual return as at June 30, 2018 (%) | (17.12) | 0.95 | 6.16 | 9.83 |

Investment portfolio composition of the Fund

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 18.

15. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year.

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



16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 16.1** Connected persons include AI Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 16.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 16.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.
- 16.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 16.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows

| | 2018 | 2017 |
|---|------------------|-----------|
| | (Rupees in '000) | |
| AI Meezan Investment Management Limited - Management Company | | |
| Transactions during the Year | | |
| Remuneration charged | 884,489 | 900,774 |
| Sindh Sales Tax on remuneration of the Management Company | 114,984 | 117,101 |
| Allocated Expenses | 44,224 | 45,039 |
| Selling and marketing charges | 176,898 | 73,826 |
| Issue of 3,079,227 (2017: 12,539,552) units | 200,116 | 1,075,602 |
| Redemption of 7,559,016 (2017: 12,342,822) units | 500,000 | 953,993 |
| Cash dividend (if any) | - | 55,602 |
| Balances | | |
| Remuneration Payable | 65,700 | 91,878 |
| Sindh Sales Tax on management fee payable | 8,541 | 11,944 |
| Sales load payable | 2,636 | 8,631 |
| Sindh Sales Tax on sales load payable | 343 | 1,122 |
| Allocated expenses payable | 3,285 | 4,594 |
| Outstanding 7,290,007 (2017: 11,769,797) units - at net asset value | 461,676 | 899,330 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Transactions during the year | | |
| Remuneration of the Trustee | 45,224 | 46,039 |
| Sindh Sales Tax on remuneration of the Trustee | 5,879 | 5,985 |
| Settlement charges incurred | 939 | 1,335 |
| Sindh Sales Tax on settlement charges | 122 | 173 |
| Balances | | |
| Security deposits refundable | 100 | 100 |
| Remuneration Payable | 3,367 | 4,670 |
| Sindh Sales Tax on trustee fee payable | 438 | 607 |





2018 **2017**
(Rupees in '000)

Meezan Bank Limited

Transactions during the year

Profit on saving account
Shares purchased during the year: 585,500 shares
(2017: 1,408,000 shares)
Right shares received: 302,410 shares (2017: nil)
Shares disposed off during the year: 5,390,000 shares
(2017: 9,973,500 shares)
Units redeemed: nil (2017: 3,200,000 units)
Dividend income
Dividend paid

| | |
|---------|---------|
| 3,067 | 5,119 |
| 42,735 | 97,118 |
| 15,121 | - |
| 402,209 | 626,021 |
| - | 288,263 |
| 11,120 | 29,086 |
| - | 62,375 |

Balances

Investment as at June 30, 2018: 577 shares
(June 30, 2017: 4,502,667 shares)
Investment as at June 30, 2018: 12,475,049 units
(June 30, 2017: 12,475,049 units)
Profit receivable on saving account
Sales load payable
Sindh Sales Tax on sales load payable
Balance with bank

| | |
|---------|---------|
| 47 | 355,711 |
| 790,045 | 953,218 |
| 482 | 2,366 |
| 1,110 | 6,885 |
| 144 | 895 |
| 514,696 | 637,122 |

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

Issue of nil (2017: 10,981) units
Outstanding 180,189 (2017: 180,189) units - at net asset value
Cash dividend

| | |
|--------|--------|
| - | 846 |
| 11,411 | 13,768 |
| - | 846 |

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

Issue of 1,483,388 (2017: 6,721,531) units
Redemption of 1,345,266 (2017: 5,708,399) units
Outstanding 5,893,702 (2017: 5,755,580) units - at net asset value
Cash dividend

| | |
|---------|---------|
| 101,641 | 543,436 |
| 91,653 | 464,902 |
| 373,276 | 439,784 |
| - | 26,872 |

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

Issue of 844,035 (2017: 4,394,776) units
Redemption of 1,076,095 (2017: 4,487,555) units
Outstanding 2,444,911 (2017: 2,676,971) units - at net asset value
Cash dividend

| | |
|---------|---------|
| 55,185 | 347,116 |
| 71,957 | 368,123 |
| 154,836 | 204,547 |
| - | 13,336 |

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

Issue of 466,107 (2017: 2,278,036) units
Redemption of 684,717 (2017: 2,056,473) units
Outstanding 1,116,559 (2017: 1,335,169) units - at net asset value
Cash dividend

| | |
|--------|---------|
| 30,738 | 176,869 |
| 45,916 | 167,745 |
| 70,712 | 102,020 |
| - | 6,345 |

| | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|-----------|
| Meezan Financial Planning Fund of Funds - MCPP - I | | |
| Issue of nil (2017: 1,605,687) units | - | 109,000 |
| Redemption of nil (2017: 16,286,137) units | - | 1,164,107 |
| Meezan Financial Planning Fund of Funds - MCPP - II | | |
| Issue of Nil (2017: 7,515,588) units | - | 530,000 |
| Redemption of Nil (2017: 22,906,688) units | - | 1,792,374 |
| Meezan Financial Planning Fund of Funds - MAAP - I | | |
| Issue of 5,743,872 (2017: 3,991,012) units | 396,000 | 309,718 |
| Redemption of 19,161,669 (2017: 6,751,382) units | 1,358,884 | 511,000 |
| Outstanding Nil (2017: 13,417,797) units - at net asset value | - | 1,025,254 |
| Cash dividend | - | 63,001 |
| Meezan Financial Planning Fund of Funds - MAAP - II | | |
| Issue of 660,921 (2017: 2,714,754) units | 44,000 | 205,987 |
| Redemption of 11,519,979 (2017: 3,688,964) units | 733,000 | 275,000 |
| Outstanding Nil (2017: 10,859,058) units - at net asset value | - | 829,741 |
| Cash dividend | - | 50,987 |
| Meezan Financial Planning Fund of Funds - MAAP - III | | |
| Issue of 12,630,712 (2017: 7,547,389) units | 833,000 | 576,769 |
| Redemption of 41,120,601 (2017: 11,334,478) units | 2,667,494 | 838,500 |
| Outstanding Nil (2017: 28,489,889) units - at net asset value | - | 2,176,912 |
| Cash dividend | - | 133,769 |
| Meezan Financial Planning Fund of Funds - MAAP - IV | | |
| Issue of 1,265,749 (2017: 5,484,869) units | 84,000 | 399,360 |
| Redemption of 6,297,397 (2017: 1,510,915) units | 432,260 | 126,000 |
| Outstanding 3,990,160 (2017: 9,021,808) units - at net asset value | 252,697 | 689,356 |
| Cash dividend | - | 42,360 |
| Meezan Capital Preservation Fund-II | | |
| Issue of Nil (2017: 1,541,121) units | - | 107,000 |
| Redemption of Nil (2017: 14,281,853) units | - | 1,044,127 |
| Meezan Strategic Allocation Fund - MSAP - I | | |
| Issue of 5,512,380 (2017: 25,999,486) units | 360,000 | 1,977,388 |
| Redemption of 13,719,672 (2017: 1,637,235) units | 904,570 | 140,000 |
| Outstanding 16,154,958 (2017: 24,362,251) units - at net asset value | 1,023,093 | 1,861,520 |
| Cash dividend | - | 114,388 |
| Meezan Strategic Allocation Fund - MSAP - II | | |
| Issue of 2,169,030 (2017: 10,307,902) units | 144,000 | 876,399 |
| Redemption of 5,213,170 (2017: Nil) units | 347,650 | - |
| Outstanding 7,263,762 (2017: 10,307,902) units - at net asset value | 460,014 | 787,627 |
| Cash dividend | - | 48,399 |
| Meezan Strategic Allocation Fund - MSAP - III | | |
| Issue of 2,518,261 (2017: 18,334,830) units | 167,000 | 1,554,610 |
| Redemption of 5,795,234 (2017: Nil) units | 382,690 | - |
| Outstanding 15,057,857 (2017: 18,334,830) units - at net asset value | 953,614 | 1,400,963 |
| Cash dividend | - | 86,088 |



2018 2017
(Rupees in '000)

Meezan Strategic Allocation Fund - MSAP - IV

Issue of 8,813,267 (2017: 16,203,703) units
Redemption of 7,649,800 (2017: Nil) units
Outstanding 17,367,260 (2017: 16,203,703) units - at net asset value
Cash dividend

| | |
|-----------|-----------|
| 605,000 | 1,362,088 |
| 508,880 | - |
| 1,099,869 | 1,238,125 |
| - | 76,082 |

Meezan Strategic Allocation Fund - MSAP - V

Issue of 6,593,519 (2017: Nil) units
Redemption of 1,625,010 (2017: Nil) units
Outstanding 4,968,509 (2017: 16,203,703) units - at net asset value

| | |
|---------|---|
| 434,838 | - |
| 110,000 | - |
| 314,656 | - |

Directors and executives of the Management Company

Issue of 2,732,699 (2017: 1,246,081) units
Redemption of 2,203,573 (2017: 408,951) units
Outstanding 6,611,012 (2017: 5,987,885) units - at net asset value
Cash dividend

| | |
|---------|---------|
| 176,934 | 103,977 |
| 145,479 | 32,348 |
| 418,675 | 457,534 |
| - | 28,342 |

16.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

17. FINANCIAL INSTRUMENTS BY CATEGORY

2018

| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
|--|-----------------------|--------------------------------------|--------------------|-------------------|
| Rupees in '000 | | | | |
| Financial assets | | | | |
| Balances with banks | 2,730,709 | - | - | 2,730,709 |
| Investments | - | 34,063,436 | 3,125,246 | 37,188,682 |
| Receivable against conversion of units | 98,887 | - | - | 98,887 |
| Dividend receivable | 150,745 | - | - | 150,745 |
| Advances, deposits and other receivables | 22,332 | - | - | 22,332 |
| | 3,002,673 | 34,063,436 | 3,125,246 | 40,191,355 |

2018

| | At fair value through profit or loss | At amortised cost | Total |
|---|--------------------------------------|-------------------|----------------|
| Rupees in '000 | | | |
| Financial liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | - | 195,109 | 195,109 |
| Payable to the Central Depository Company Limited - Trustee | - | 3,805 | 3,805 |
| Payable against redemption and conversion of units | - | 183,929 | 183,929 |
| Payable against purchase of investments | - | 16,430 | 16,430 |
| Payable to Meezan Bank Limited | - | 1,254 | 1,254 |
| Accrued expenses and other liabilities | - | 32,392 | 32,392 |
| | - | 432,919 | 432,919 |



| | 2017 | | | |
|--|--------------------------|--|------------------------|------------|
| | Loans and receivables | At fair value through profit or loss | Available-for- sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 4,188,108 | - | - | 4,188,108 |
| Investments | - | 46,448,966 | 3,999,898 | 50,448,864 |
| Receivable against conversion of units | 1,530,182 | - | - | 1,530,182 |
| Dividend receivable | 252,501 | - | - | 252,501 |
| Advances, deposits and other receivables | 38,484 | - | - | 38,484 |
| | 6,009,275 | 46,448,966 | 3,999,898 | 56,458,139 |

| | 2017 | | |
|--|--|-------------------------|---------|
| | At fair value through profit or loss | At amortised cost | Total |
| | Rupees in '000 | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | 191,995 | 191,995 |
| Payable to the Central Depository Company Limited - Trustee | - | 5,277 | 5,277 |
| Payable against redemption and conversion of units | - | 109,957 | 109,957 |
| Payable against purchase of investments | - | 64,953 | 64,953 |
| Payable to Meezan Bank Limited | - | 7,780 | 7,780 |
| Dividend Payable | - | 345,340 | 345,340 |
| Accrued expenses and other liabilities | - | 29,438 | 29,438 |
| | - | 754,740 | 754,740 |

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risks managed and measured by the Fund are explained below:

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / interest rate risk, currency risk and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.





a) Sensitivity analysis for variable rate instruments

The Fund's profit rate risk arises from the balances in savings accounts. At June 30, 2018, if there had been increase / decrease of 100 basis points in interest rates or in rates with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 0.19 million (2017: Rs 0.36 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Profit 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 instruments is based on the settlement date.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | 2018 | | | | | |
|---|-------------------------------------|---------------------------------------|--|--------------------|---|-------------------|
| | 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 assets | | | | | | |
| Balances with banks | 2.00% 6.60% | 2,686,559 | - | - | 44,150 | 2,730,709 |
| Investments | | - | - | - | 37,188,682 | 37,188,682 |
| Receivable against conversion of units | | - | - | - | 98,887 | 98,887 |
| Dividend receivable | | - | - | - | 150,745 | 150,745 |
| Advances, deposits and other receivables | | - | - | - | 22,332 | 22,332 |
| | | 2,686,559 | - | - | 37,504,796 | 40,191,355 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | - | 195,109 | 195,109 |
| Payable to the Central Depository Company Limited Trustee | | - | - | - | 3,805 | 3,805 |
| Payable against redemption and conversion of units | | - | - | - | 183,929 | 183,929 |
| Payable against purchase of investments | | - | - | - | 16,430 | 16,430 |
| Payable to Meezan Bank Limited | | - | - | - | 1,254 | 1,254 |
| Accrued expenses and other liabilities | | - | - | - | 32,392 | 32,392 |
| | | - | - | - | 432,919 | 432,919 |
| On-balance sheet gap (a) | | 2,686,559 | - | - | 37,071,877 | 39,758,436 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total interest rate sensitivity gap (a+b) | | 2,686,559 | - | - | | |
| Cumulative interest rate sensitivity gap | | 2,686,559 | 2,686,559 | 2,686,559 | | |

| | 2017 | | | | Total | |
|---|-------------------------------------|---------------------------------------|--|--------------------|------------|---|
| | Effective yield / interest rate (%) | Exposed to yield / interest rate risk | | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.00% - 5.70% | 4,017,700 | - | - | 170,408 | |
| Investments | | | | | 50,448,864 | |
| Receivable against conversion of units | | - | - | - | 1,530,182 | |
| Dividend receivable | | - | - | - | 252,501 | |
| Advances, deposits and other receivables | | - | - | - | 38,407 | |
| | | 4,017,700 | | | 52,440,362 | |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | - | - | 191,995 | |
| Payable to the Central Depository Company Limited - Trustee | | - | - | - | 5,277 | |
| Payable against redemption and conversion of units | | - | - | - | 109,957 | |
| Payable against purchase of investments | | - | - | - | 64,953 | |
| Payable to Meezan Bank Limited | | - | - | - | 7,780 | |
| Dividend payable / unclaimed dividend | | - | - | - | 345,340 | |
| Accrued expenses and other liabilities | | - | - | - | 29,438 | |
| | | - | - | - | 754,740 | |
| On-balance sheet gap (a) | | 4,017,700 | - | - | 51,685,622 | |
| Off-balance sheet financial instruments | | - | - | - | - | |
| Off-balance sheet gap (b) | | - | - | - | - | |
| Total interest rate sensitivity gap (a+b) | | 4,017,700 | - | - | - | |
| Cumulative interest rate sensitivity gap | | 4,017,700 | 4,017,700 | 4,017,700 | - | |

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'available-for-sale' or 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2018, with all other variables held constant, the total income of the Fund and "other comprehensive income" for the year would increase / decrease by Rs 340.634 million and Rs 31.252 million respectively (2017: Rs. 464.490 and Rs 39.999 million respectively) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as available-for-sale and financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation



with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

18.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unitholders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement. The maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | | Total |
|---|------------------|---|--|--|-------------------|--|-------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | |
| ----- (Rupees in '000) ----- | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 2,730,709 | - | - | - | - | - | 2,730,709 |
| Investments | - | - | - | - | - | 37,188,682 | 37,188,682 |
| Receivable against conversion of units | 98,887 | - | - | - | - | - | 98,887 |
| Dividend receivable | 150,745 | - | - | - | - | - | 150,745 |
| Advances, deposits and other receivables | 19,732 | - | - | - | - | 2,600 | 22,332 |
| | 3,000,073 | - | - | - | - | 37,191,282 | 40,191,355 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Management Company | 195,109 | - | - | - | - | - | 195,109 |
| Payable to Central Depository Company (CDC) Limited - Trustee | 3,805 | - | - | - | - | - | 3,805 |
| Payable against redemption and conversion of units | 183,929 | - | - | - | - | - | 183,929 |
| Payable against purchase of investments | 16,430 | - | - | - | - | - | 16,430 |
| Payable to Meezan Bank Limited | 1,254 | - | - | - | - | - | 1,254 |
| Dividend payable / unclaimed dividend | - | - | - | - | - | - | - |
| Accrued expenses and other liabilities | 12 | 2,778 | 29,602 | - | - | - | 32,392 |
| | 400,539 | 2,778 | 29,602 | - | - | - | 432,919 |
| Net assets / (liabilities) | 2,599,534 | (2,778) | (29,602) | - | - | 37,191,282 | 39,758,436 |



| | 2017 | | | | | | |
|---|----------------|---|--|--|-------------------|--|------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| ----- (Rupees in '000) ----- | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 4,188,108 | - | - | - | - | - | 4,188,108 |
| Investments | | | | | | 50,448,864 | 50,448,864 |
| Receivable against conversion of units | 1,530,182 | - | - | - | - | - | 1,530,182 |
| Dividend receivable | 252,501 | - | - | - | - | - | 252,501 |
| Advances, deposits and other receivables | 35,807 | - | - | - | - | 2,600 | 38,407 |
| | 6,006,598 | | | | | 50,451,464 | 56,458,062 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Management Company | 191,995 | - | - | - | - | - | 191,995 |
| Payable to Central Depository Company (CDC) Limited - Trustee | 5,277 | - | - | - | - | - | 5,277 |
| Payable against redemption and conversion of units | 109,957 | - | - | - | - | - | 109,957 |
| Payable against purchase of Investments | 64,953 | - | - | - | - | - | 64,953 |
| Payable to Meezan Bank Limited | 7,780 | - | - | - | - | - | 7,780 |
| Dividend payable / unclaimed dividend | 345,340 | - | - | - | - | - | 345,340 |
| Accrued expenses and other liabilities | 1,070 | 3,075 | 25,293 | - | - | - | 29,438 |
| | 726,372 | 3,075 | 25,293 | | | | 754,740 |
| Net assets / (liabilities) | 5,280,226 | (3,075) | (25,293) | | | 50,451,464 | 55,703,322 |

18.3 Credit risk

18.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| ----- (Rupees in '000) ----- | | | | |
| Balances with banks | 2,730,709 | 2,730,709 | 4,188,108 | 4,188,108 |
| Investments | 37,188,682 | - | 50,448,864 | - |
| Receivable against conversion of units | 98,887 | 98,887 | 1,530,182 | 1,530,182 |
| Dividend receivable | 150,745 | 150,745 | 252,501 | 252,501 |
| Advances, deposits and other receivables | 22,332 | 22,332 | 38,484 | 38,484 |
| | 40,191,355 | 3,002,673 | 56,458,139 | 6,009,275 |

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in equity securities of Rs 37,188.682 million (2017: 50,448.864 million) is not exposed to credit risk.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.





18.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, cheques in hand, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|--|---------------|
| | 2018 | 2017 |
| AAA | 59.17 | 1.72 |
| AA+ | 23.95 | 27.12 |
| AA- | 0.56 | 36.10 |
| AA | 0.24 | 12.01 |
| A+ | 16.08 | 23.04 |
| A | 0.00 | 0.01 |
| | <u>100.00</u> | <u>100.00</u> |

18.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

19. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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



As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|-------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 34,063,436 | - | - |
| Available-for-sale | 3,125,246 | - | - |
| | 37,188,682 | - | - |
| | 2017 | | |
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 46,448,966 | - | - |
| Available-for-sale | 3,999,898 | - | - |
| | 50,448,864 | - | - |

20. UNITHOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unitholders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unitholders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

21. UNITHOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|----------------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 26,052 | 20,292,579 | 51.88 | 22,848 | 26,405,260 | 48.14 |
| Associated Companies / Directors | 17 | 6,356,494 | 16.25 | 19 | 13,041,877 | 23.78 |
| Insurance Companies | 9 | 1,091,815 | 2.79 | 24 | 2,054,248 | 3.75 |
| Banks and DFIs | 4 | 189,799 | 0.49 | 2 | 89,675 | 0.16 |
| Retirement Funds | 165 | 6,519,868 | 16.67 | 162 | 7,671,412 | 13.99 |
| Public Limited Companies | - | - | - | - | - | - |
| Others | 186 | 4,664,099 | 11.92 | 170 | 5,590,237 | 10.19 |
| | 26,433 | 39,114,654 | 100.00% | 23,225 | 54,852,709 | 100.00% |





22. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|--|-------------------------------|---|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| JS Global Capital Limited. | 11% | JS Global Capital Limited. | 12% |
| Arif Habib Limited. | 9% | BMA Capital Management Limited | 9% |
| Foundation Securities (Private) Limited | 8% | Top Line Securities (Private) Limited | 9% |
| AKD Securities Limited. | 7% | Arif Habib Limited. | 7% |
| Alfalah Securities (Private) Limited | 6% | Shajar Capital Pakistan (Private) Limited | 7% |
| Optimus Capital Management (Private) Limited | 6% | Fortune Securities Limited | 7% |
| BMA Capital Management Limited | 6% | Foundation Securities (Private) Limited | 6% |
| Next Capital Limited | 5% | Next Capital Limited | 6% |
| Elixir Securities Pakistan (Private) Ltd | 5% | AKD Securities Limited | 5% |
| Top Line Securities (Private) Limited | 5% | Alfalah Securities (Private) Limited | 4% |

23. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

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

24. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoalb | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | - | - | - | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | - |
| Ms. Saima Kamila Khan ** | Director | - | - | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | - | - | - |
| Mazhar Sharif *** | Director | Yes | Yes | - | - | - |
| Mr. Naeem Sattar *** | Director | - | - | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

25. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.





27. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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

Handwritten signature of Mohammad Shoaib in black ink.

**Mohammad Shoaib, CFA
Chief Executive**

Handwritten signature of Syed Amir Ali Zaidi in black ink.

**Syed Amir Ali Zaidi
Director**



Al Meezan Mutual Fund

AL-MEEZAN MUTUAL FUND (AMMF)

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





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoaib, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | Member |
| Mr. Mohammad Shoaib, CFA | Member |

TRUSTEE

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

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

Faysal Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
UBL Ameen - Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Open end equity fund

Objective

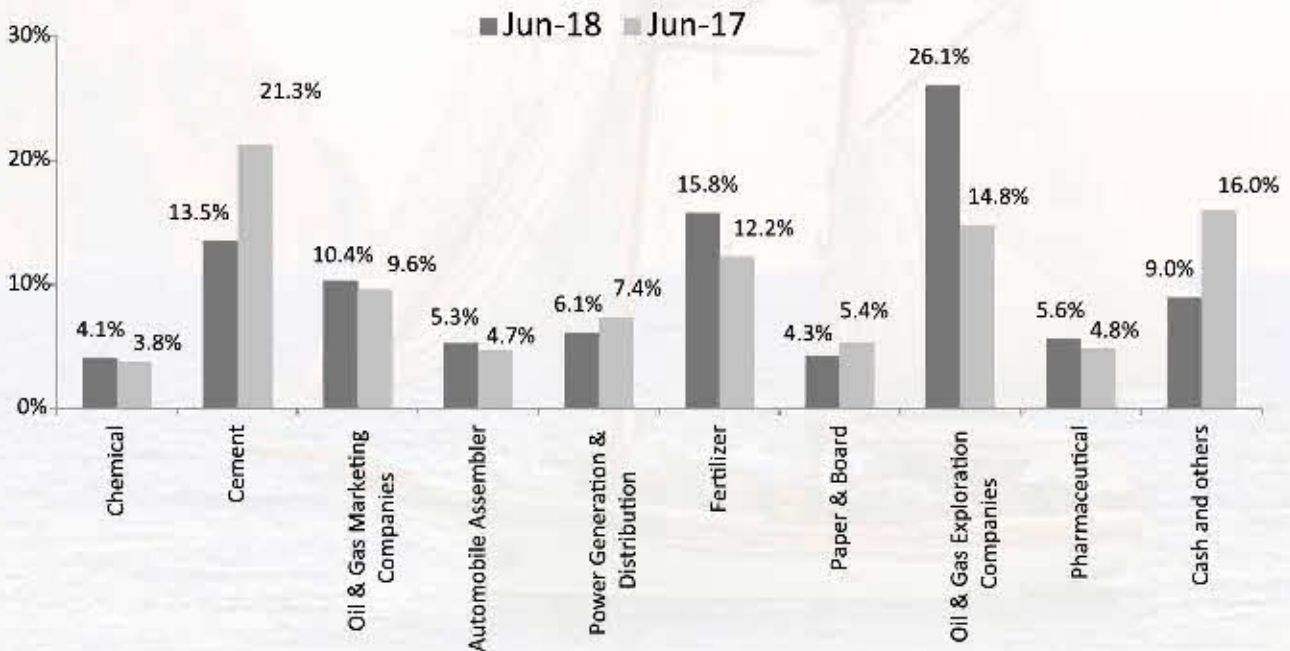
The objective of AMMF is to provide maximum total return to the shareholders by investing in "Shariah compliant" equity avenues for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

Strategy, Investment Policy and Asset Allocation

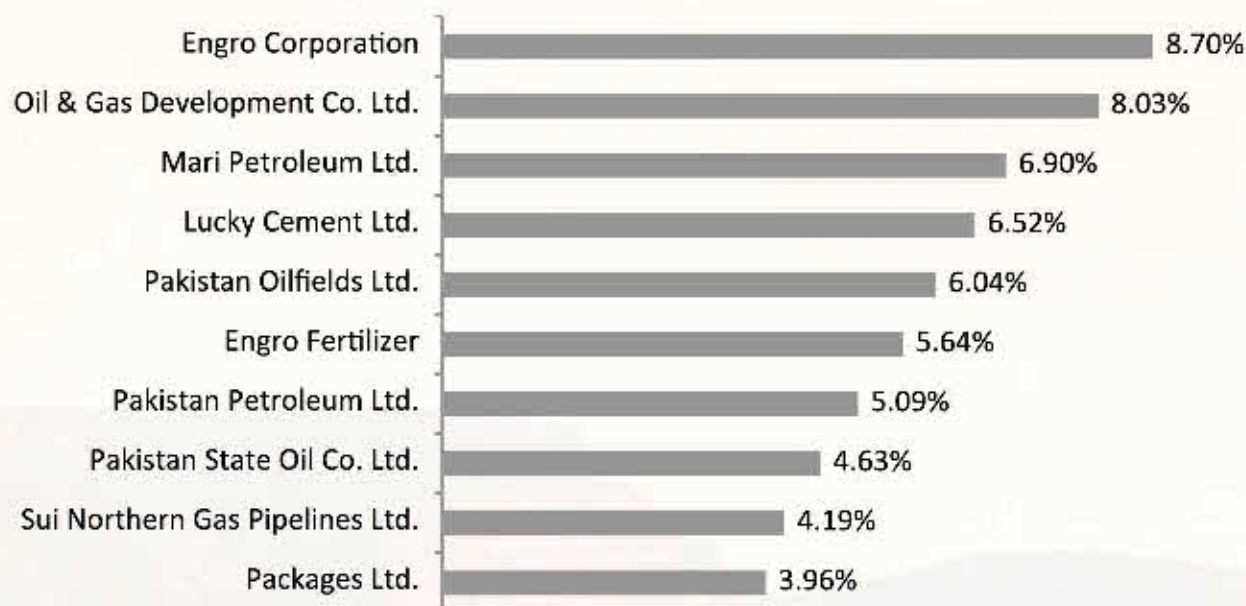
The performance of AMMF is directly linked to the performance of the equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced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

AMMF started the year with 97% exposure to equities, touched a maximum of 99% and minimum of 92% during the fiscal year, on average remained 95% invested and closed the year at 95% invested percentage. Although allocation remained diversified across sectors, major holdings remained in the Cement and Oil & Gas Exploration sectors. However, exposure in Power Generation & Distribution, Paper and Board and Oil & Gas Marketing sectors was gradually reduced due to weak outlook.

Sector Allocation for the year ended FY17 and FY18



Top Holdings



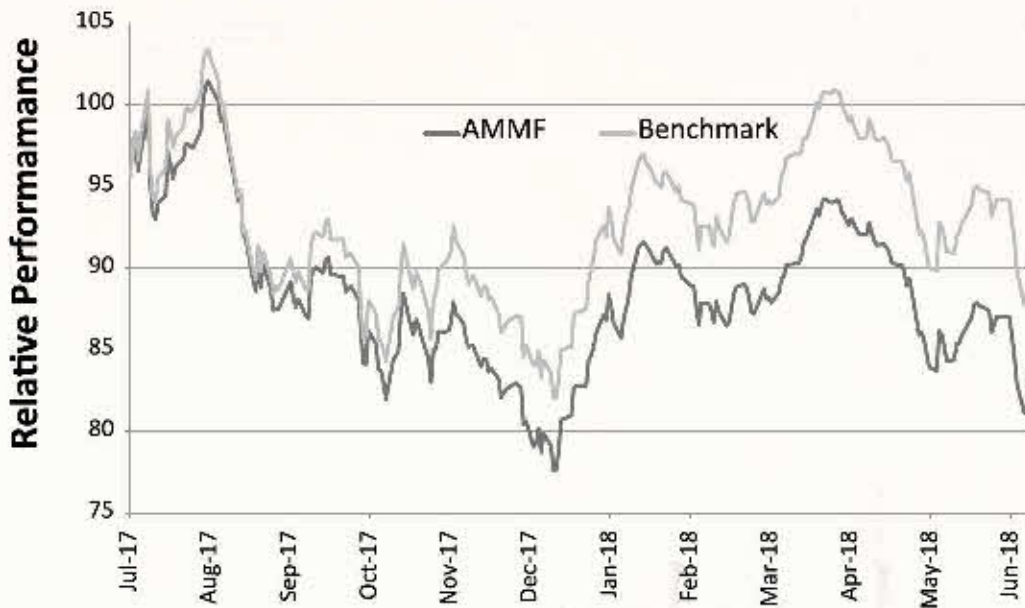
Performance Review

During FY18, Al Meezan Mutual Fund (AMMF) provided a negative return of 16.47% to its investors while the KSE Meezan Index (KMI 30) depreciated by 9.59% to close at 71,060 pts.

AMMF posted a total loss of Rs. 926 million in the fiscal year 2018 as compared to a total income of Rs. 1,376 million last year. Total loss comprised of realized and unrealized capital losses on investments of Rs. 458 million and Rs. 848 million respectively. Dividend income contributed Rs. 357 million to income, while profit on saving accounts with banks amounted to Rs. 23 million. After accounting for expenses of Rs. 239 million, the Fund posted a net loss of Rs. 1,165 million. The net assets of the Fund as at June 30, 2018 were Rs. 6,864 million as compared to Rs. 9,079 million last year depicting a decline of 24.40%. The net asset value per unit as at June 30, 2018 was Rs. 17.66 as compared to Rs. 21.14 per unit as on June 30, 2017.

| | AMMF (NAV) | KMI-30 (Index Points) |
|---|----------------|--------------------------|
| Net Asset Value (NAV) as on June 30, 2017 - Rs. | 21.14 | 78,598 |
| Net Asset Value (NAV) as on June 30, 2018 - Rs. | 17.66 | 71,060 |
| Return During the Period | -16.47% | -9.59% |





Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable / welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2018 an amount of Rs. 5.03 million was accrued as charity payable.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.

Summary of Actual Proxy Voted By the Fund

| | Resolutions | For | Against | Abstain |
|------------|-------------|------|---------|---------|
| Number | 6 | 6 | - | - |
| Percentage | 100% | 100% | - | - |

The proxy voting policy of Al Meezan Investment Management Limited, duly approved by Board of Directors of the Management Company, is available on the website www.almeezangroup.com. A detailed information regarding actual proxies voted by the Management Company in respect of funds is also available without charge, upon request, to all unit holders.

Breakdown of unit holdings by size:

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|-------------------|------------------|
| 1 - 9,999 | 2,613 |
| 10,000 - 49,999 | 994 |
| 50,000 - 99,999 | 266 |
| 100,000 - 499,999 | 239 |
| 500,000 and above | 59 |
| Total | 4,171 |



Meezan Bank
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

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

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

- i. We have reviewed and approved the modes of investments of AMMF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of AMMF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 accounts of the Investee companies have been used for the following calculations*):

| Company Name | (i) Nature of Business | (ii)** Debt to Assets (<37%) | (iii) Non-Compliant Investments (<33%) | (iv) Non-Compliant Income to Gross Revenue (<5%) | (v) Illiquid Assets to Total Assets (>25%) | (vi) Net Liquid Assets vs. Share Price (B>A) | |
|-------------------------------|---------------------------------|---------------------------------|---|---|---|---|-----------------|
| | | | | | | Net Liquid Assets per Share (A) | Share Price (B) |
| Engro Corporation Ltd | Fertilizer | 29.53% | 21.57% | 3.03% | 65% | (75.29) | |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| Mari Petroleum Ltd | Oil & Gas Exploration Companies | 6.30% | 13.35% | 0.63% | 43% | (440.91) | |
| Lucky Cement | Cement | 10.50% | 0.00% | 3.23% | 68% | (231.74) | |
| Pakistan Oil Fields | Oil & Gas Exploration Companies | 0.00% | 0.01% | 2.00% | 72% | (40.74) | |

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) | |
|-------------------------|---------------------------------|--------|--------|-------|-----|---------|--------|
| Engro Fertilizer | Fertilizer | 29.63% | 7.32% | 0.12% | 77% | (32.84) | |
| Pakistan Petroleum Ltd. | Oil & Gas Exploration Companies | 0.06% | 20.86% | 3.79% | 43% | 39.29 | 205.91 |
| Pakistan State Oil** | Oil & Gas Marketing Companies | 20.44% | 0.57% | 0.33% | 19% | 119.42 | 293.11 |

* 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.

*** PSO scrip has been considered compliant due to circular debt issue.

- ii. On the basis of information provided by the management, all operations of AMMI⁷ for the year ended June 30, 2018 have been in compliance with the *Shari'ah* principles.

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

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
Shari'ah Advisor

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

AL MEEZAN MUTUAL FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Al Meezan Mutual Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





INDEPENDENT AUDITOR'S REPORT
To the Unitholders of Al Meezan Mutual Fund
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Meezan Mutual Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|---|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|--|
| | <p>prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | |
| 2 | <p>Net Asset Value</p> | |
| | <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 6,555 million and balances with banks aggregated to Rs 440 million.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

All ✓



Al Meezan
Mutual Fund

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Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

حساب





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We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

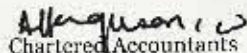
Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


Chartered Accountants
Karachi

Date: September 19, 2018



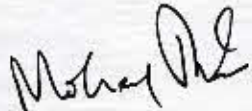
STATEMENT OF ASSETS AND LIABILITIES

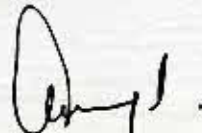
AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|--------------------|
| Assets | | | |
| Balances with banks | 4 | 440,313 | 798,436 |
| Investments | 5 | 6,555,048 | 8,435,017 |
| Receivable against conversion of units | | 6,503 | 17,373 |
| Dividend receivable | | 19,091 | 40,481 |
| Advances, deposits, prepayments and other receivables | 6 | 8,445 | 14,896 |
| Total assets | | 7,029,400 | 9,306,203 |
| Liabilities | | | |
| Payable to Al Meezan Investment Management Limited | | | |
| - Management Company | 7 | 33,696 | 31,425 |
| Payable to the Central Depository Company of Pakistan Limited | | | |
| - Trustee | 8 | 747 | 961 |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 7,236 | 7,353 |
| Payable to Meezan Bank Limited | | 199 | 784 |
| Payable against conversion and redemption of units | | 19,411 | 6,830 |
| Payable against purchase of investments | | - | 15,116 |
| Dividend payable | | 4,917 | 42,149 |
| Accrued expenses and other liabilities | 10 | 99,184 | 122,120 |
| Total liabilities | | 165,390 | 226,738 |
| NET ASSETS | | 6,864,010 | 9,079,465 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 6,864,010 | 9,079,465 |
| CONTINGENCIES AND COMMITMENTS | 11 | | |
| NUMBER OF UNITS IN ISSUE | | 388,711,880 | 429,471,241 |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | | 17.6583 | 21.1400 |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

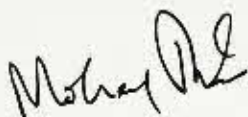
INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

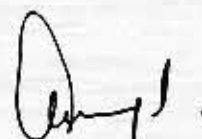
| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------------|
| Income | | | |
| Dividend income | | 357,313 | 275,252 |
| Profit on balances with banks | | 22,550 | 32,416 |
| Realised (loss) / gain on sale of investments - net | | (458,507) | 266,922 |
| Reversal of provision for Workers' Welfare Fund (WWF) | | - | 34,828 |
| | | (78,644) | 609,418 |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.3 | (847,665) | 766,521 |
| Total (loss) / income | | (926,309) | 1,375,939 |
| Expenses | | | |
| Remuneration of Al Meezan Investment Management Limited - Management Company | 7.1 | 152,325 | 154,800 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 | 19,803 | 20,124 |
| Allocated expenses | 7.3 | 7,616 | 7,737 |
| Selling and marketing charges | 7.4 | 30,465 | 12,746 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 8.1 | 8,616 | 8,740 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 1,120 | 1,114 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 9 | 7,236 | 7,353 |
| Brokerage expense | | 3,918 | 6,406 |
| Auditors' remuneration | 12 | 754 | 771 |
| Fees and subscriptions | | 911 | 884 |
| Printing expenses | | 156 | - |
| Legal and professional charges | | 49 | 688 |
| Charity expense | 10.1 | 5,031 | 3,413 |
| Bank and settlement charges | | 875 | 2,014 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 10.3 | - | 50,068 |
| Total expenses | | 238,875 | 276,858 |
| Net (loss) / income from operating activities | | (1,165,184) | 1,099,081 |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | 3.10 | - | 356,308 |
| Net (loss) / income for the year before taxation | | (1,165,184) | 1,455,389 |
| Taxation | 14 | - | - |
| Net (loss) / income for the year after taxation | | (1,165,184) | 1,455,389 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | - | - |
| Income already paid on units redeemed | | - | - |
| | | - | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | - | - |
| | | - | - |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-----------|
| Net (loss) / income for the year after taxation | | (1,165,184) | 1,455,389 |
| Other comprehensive (loss) / income for the year | | | |
| Income that may be re-classified subsequently to Income Statement | | | |
| Net unrealised (diminution) / appreciation in the value of investments classified as 'available-for-sale' | 5.4 | (348,931) | 219,679 |
| Total comprehensive (loss) / income for the year | | (1,514,115) | 1,675,068 |

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

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2018

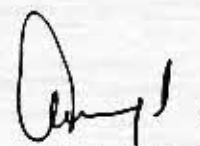
| | 2018 | | | Total |
|---|------------------|-------------------------------|---|----------------|
| | Capital Value | Undistributed income / (loss) | Unrealised appreciation/ (diminution) on 'available for sale' investments | |
| | (Rupees in '000) | | | |
| Net assets at beginning of the year | 6,004,281 | 2,526,702 | 548,482 | 9,079,465 |
| Issue of 85,725,163 units | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 1,812,230 | - | - | 1,812,230 |
| - Element of income | (196,184) | - | - | (196,184) |
| Total proceeds on issuance of units | 1,616,046 | - | - | 1,616,046 |
| Redemption of 126,484,524 units | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 2,673,883 | - | - | 2,673,883 |
| - Element of income | (356,497) | - | - | (356,497) |
| Total payments on redemption of units | 2,317,386 | - | - | 2,317,386 |
| Total comprehensive loss for the year | - | (1,165,184) | (348,931) | (1,514,115) |
| Distribution during the year | - | - | - | - |
| Net loss for the year less distribution | - | (1,165,184) | (348,931) | (1,514,115) |
| Net assets at end of the year | 5,302,941 | 1,361,518 | 199,551 | 6,864,010 |
| Undistributed income carried forward | | | | |
| - Realised income | | 2,209,183 | | |
| - Unrealised loss | | (847,665) | | |
| | | 1,361,518 | | |
| Accounting income available for distribution | | | | |
| - Relating to capital gains | | - | | |
| - Excluding capital gains | | - | | |
| | | - | | |
| | | - | | |
| | | - | | |
| | | - | | |
| Net assets value per unit at beginning of the year | | | | 21.1400 |
| Net assets value per unit at end of the year | | | | 17.6583 |
| | | | | June 30, 2017 |
| | | | | Rupees in '000 |
| Capital Value | | | | 4,024,633 |
| Undistributed Income brought forward | | | | |
| Realised | | | | 898,957 |
| Unrealised | | | | 494,807 |
| Net assets at beginning of the year | | | | 5,418,397 |
| Issuance of 249,770,956 units | | | | 5,401,020 |
| Redemption of 121,449,361 units | | | | (2,646,401) |
| | | | | 8,173,016 |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | | | | (356,308) |
| Net realised gain on sale of investments | | | | 266,922 |
| Unrealised appreciation in value of investments net | | | | 986,200 |
| Other net income for the year | | | | 421,946 |
| Total comprehensive income for the year | | | | 1,675,068 |
| Less: Interim distribution for the period ended June 30, 2017 - cash dividend @ 10% (Re. 1.00 per unit) (June 30, 2016: @ 8.2% (Re. 0.82 per unit)) | | | | (412,311) |
| Net income for the year less distribution | | | | 1,262,757 |
| Net assets at end of the year | | | | 9,079,465 |
| Represented by: | | | | |
| Capital value | | | | 6,552,763 |
| Undistributed income carried forward | | | | |
| - Realised income | | | | 1,760,181 |
| - Unrealised income | | | | 766,521 |
| | | | | 9,079,465 |
| Net assets value per unit at beginning of the year | | | | 17.9900 |
| Net assets value per unit at end of the year | | | | 21.1400 |

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

For Al Meezan Investment Management Limited
(Management Company)



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



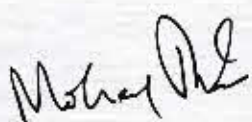


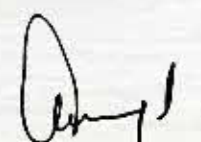
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the year before taxation | (1,165,184) | 1,455,389 |
| Adjustments for: | | |
| Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 847,665 | (766,521) |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | - | (356,308) |
| | (317,519) | 332,560 |
| Increase / (decrease) in assets | | |
| Investments - net | 683,373 | (2,184,792) |
| Dividend receivable | 21,390 | (14,873) |
| Advances, deposits, prepayments and other receivables | 6,451 | (9,411) |
| | 711,214 | (2,209,076) |
| Increase / (decrease) in liabilities | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 2,271 | 20,683 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | (214) | 348 |
| Payable to the Securities and Exchange Commission of Pakistan | (117) | 3,108 |
| Payable to Meezan Bank Limited | (585) | (82) |
| Payable against purchase of investments | (15,116) | 20,593 |
| Accrued expenses and other liabilities | (22,936) | 3,601 |
| | (36,697) | 48,251 |
| Net cash generated from / (used in) operating activities | 356,998 | (1,828,265) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts against issuance and conversion of units | 1,626,916 | 5,438,899 |
| Payment against issuance and conversion of units | (2,304,805) | (2,655,500) |
| Dividend paid | (37,232) | (374,934) |
| Net cash (used in) / generated from financing activities | (715,121) | 2,408,465 |
| Net (decrease) / increase in cash and cash equivalents | (358,123) | 580,200 |
| Cash and cash equivalents at the beginning of the year | 798,436 | 218,236 |
| Cash and cash equivalents at the end of the year | 440,313 | 798,436 |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) and the requirements of the Trust Deed.





Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|--|
| - IFRS 9 - Financial Instruments | 01 July 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | 01 July 2018 |
| - IFRS 16 - Leases | 01 January 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 14).

2.5 Accounting convention

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

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in notes 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:



a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on equity securities

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.



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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 160.313 million with no effect on the NAV per unit of the Fund. Furthermore, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.11 During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in other comprehensive income in the period in which they arise.
- Profit on bank deposit is recognised on time proportion basis using the effective yield method.
- Dividend income is recognised when the right to receive the dividend is established.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

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

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

3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.



3.16 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

| 4. BALANCES WITH BANKS | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|----------------|
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 427,181 | 777,718 |
| Current account | | 13,132 | 20,718 |
| | | 440,313 | 798,436 |
| 4.1 Profit and loss sharing accounts of the Fund carries profit rates ranging from 2.00% to 6.60% per annum (2017: 2.00% to 5.70% per annum). | | | |

| 5. INVESTMENTS | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|------------------|
| Available-for-sale | | | |
| Listed equity securities | 5.1 | 814,267 | 1,164,714 |
| At fair value through profit or loss - held for trading | | | |
| Listed equity securities | 5.2 | 5,740,781 | 7,270,303 |
| | | 6,555,048 | 8,435,017 |

5.1 Investments in equity securities - listed

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each unless stated otherwise.

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|--|---------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | | | | | | | | ----- (Rupees in '000) ----- |
| AUTOMOBILE ASSEMBLER | | | | | | | | |
| Honda Atlas Cars | 96,000 | - | - | - | 96,000 | 32,982 | 30,373 | 0.46% |
| Indus Motor Company Limited | 6,200 | - | - | 6,200 | - | - | - | 0.00% |
| COMMERCIAL BANKS | | | | | | | | |
| BankIslami Pakistan Limited | 875 | - | - | - | 875 | 5 | 10 | 0.00% |
| CEMENT | | | | | | | | |
| D G Khan Cement Company Limited | 3,500 | - | - | - | 3,500 | 289 | 401 | 0.01% |
| Lucky Cement Limited | 465,027 | - | - | - | 465,027 | 162,848 | 236,201 | 3.60% |
| CHEMICAL | | | | | | | | |
| KCI Pakistan Limited | 91,557 | - | - | - | 91,557 | 34,618 | 73,383 | 1.12% |
| OIL & GAS EXPLORATION COMPANIES | | | | | | | | |
| Pakistan Oilfields Limited | 31,340 | - | - | - | 31,340 | 8,043 | 21,054 | 0.32% |
| OIL & GAS MARKETING COMPANIES | | | | | | | | |
| Attock Petroleum Limited | 240 | - | - | - | 240 | 83 | 142 | 0.00% |
| Pakistan State Oil Company Limited | 371,147 | - | 74,229 | - | 445,376 | 101,125 | 141,768 | 2.16% |
| PAPER & BOARD | | | | | | | | |
| Packages Limited | 362,878 | - | - | - | 362,878 | 186,266 | 177,709 | 2.71% |
| POWER GENERATION & DISTRIBUTION | | | | | | | | |
| The Hub Power Company Limited | 1,445,600 | - | - | - | 1,445,600 | 88,457 | 133,226 | 2.03% |
| Total as at June 30, 2018 | | | | | | 614,716 | 814,267 | 12.41% |
| Total as at June 30, 2017 | | | | | | 616,232 | | |



5.1.1 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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, Pakistan State Oil Company Limited has issued bonus shares after withholding 5 percent shares on account of tax on bonus shares. The shares withheld have not been deposited with the Government Treasury due to the pending adjudication of the aforementioned Constitutional Petition and the related stay order in this regard.

5.2 Investments in equity securities - listed

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each unless stated otherwise.

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|--|-------------------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | ----- (Number of shares held) ----- | | | | | (Rupees in '000) | | % |
| CEMENT | | | | | | | | |
| Cherat Cement Company Limited | 1,585,940 | | | 225,000 | 1,360,940 | 243,309 | 132,324 | 2.02% |
| Dewan Cement Limited | | 1,051,000 | | 122,500 | 928,500 | 21,792 | 16,713 | 0.25% |
| D G Khan Cement Company Limited | 1,559,905 | 325,000 | - | 575,000 | 1,309,905 | 257,226 | 149,971 | 2.29% |
| Fauji Cement Company Limited | 3,646,000 | 800,000 | - | 4,446,000 | - | - | - | 0.00% |
| Kohat Cement Company Limited | 560,400 | 50,000 | - | - | 610,400 | 138,477 | 75,122 | 1.15% |
| Lucky Cement Limited | 439,590 | 22,050 | | 25,000 | 436,640 | 361,512 | 221,783 | 3.38% |
| Maple Leaf Cement Factory Limited | 901,500 | 803,312 | | 991,000 | 713,812 | 55,481 | 36,219 | 0.55% |
| Pioneer Cement Limited | 1,759,300 | | | 50,000 | 1,709,300 | 222,209 | 80,098 | 1.22% |
| AUTOMOBILE ASSEMBLER | | | | | | | | |
| Honda Atlas Cars | 296,800 | - | - | - | 296,800 | 257,530 | 93,905 | 1.43% |
| Indus Motor Company Limited | 894 | | | 894 | | | | 0.00% |
| Millat Tractors Limited | 60,750 | 25,000 | | | 85,750 | 117,247 | 101,876 | 1.55% |
| Pak Suzuki Motor Company Limited | | 117,500 | | | 117,500 | 69,393 | 46,222 | 0.71% |
| Gandhara Nissan Limited | | 352,663 | | 55,000 | 297,663 | 67,563 | 53,481 | 0.82% |
| Gandhara Industries Limited | - | 63,850 | - | - | 63,850 | 44,980 | 45,122 | 0.69% |
| OIL & GAS EXPLORATION COMPANIES | | | | | | | | |
| Mari Petroleum Company Limited | 342,100 | | | 20,000 | 322,100 | 507,514 | 485,141 | 7.40% |
| Oil & Gas Development Company Limited | 3,109,400 | 848,000 | | 330,000 | 3,627,400 | 516,871 | 564,496 | 8.61% |
| Pakistan Oilfields Limited | 606,951 | 73,900 | | 80,000 | 600,851 | 286,341 | 403,646 | 6.16% |
| Pakistan Petroleum Limited | 723,233 | 942,300 | - | - | 1,665,533 | 295,684 | 357,923 | 5.46% |
| OIL & GAS MARKETING COMPANIES | | | | | | | | |
| Attock Petroleum Limited | 71,500 | | | | 71,500 | 44,790 | 42,184 | 0.64% |
| Hascol Petroleum Limited | 89,460 | 79,736 | | 25,000 | 144,196 | 43,097 | 45,243 | 0.69% |
| Hi Tech Lubricants Limited | 225,000 | | | 30,000 | 195,000 | 21,257 | 19,757 | 0.30% |
| Pakistan State Oil Company Limited | 393,920 | 190,300 | 94,544 | 101,000 | 577,764 | 188,913 | 183,908 | 2.81% |
| Shell Pakistan Limited | 2,000 | - | - | 2,000 | - | - | - | 0.00% |
| Sui Northern Gas Pipelines Limited | 2,841,500 | 945,000 | - | 850,000 | 2,936,500 | 408,016 | 294,296 | 4.49% |
| Sui Southern Gas Company Limited | 2,025,000 | 300,000 | - | 2,325,000 | - | - | - | 0.00% |
| ENGINEERING | | | | | | | | |
| Amreli Steels Limited | 464,000 | | | 464,000 | | | | 0.00% |
| Crescent Steel And Allied Products | 174,200 | 51,900 | - | 104,500 | 121,600 | 25,963 | 11,086 | 0.17% |
| International Industries Limited | 32,700 | 56,000 | - | - | 88,700 | 26,840 | 20,604 | 0.31% |
| International Steels Limited | 223,000 | 125,000 | - | 322,900 | 25,100 | 2,639 | 2,553 | 0.04% |
| K.S.B. Pumps Company Limited | 65,400 | | | 64,900 | 500 | 158 | 140 | 0.00% |



| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|---|-------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | (Number of shares held) | | | | | ----- (Rupees in '000) ----- | | ----- % ----- |
| PAPER AND BOARD | | | | | | | | |
| Century Paper & Board Mills | | 500 | | | 500 | 34 | 32 | 0.00% |
| Cherat Packaging Limited | 128,900 | 17,401 | | | 146,301 | 32,825 | 21,022 | 0.32% |
| Packages Limited | 309,850 | | | 105,000 | 204,850 | 142,490 | 100,319 | 1.53% |
| PHARMACEUTICALS | | | | | | | | |
| Abbott Laboratories (Pakistan) Limited | 184,200 | 2,000 | - | 143,000 | 43,200 | 40,157 | 29,592 | 0.45% |
| AGP Limited | - | 1,019,250 | - | - | 1,019,250 | 89,895 | 90,499 | 1.38% |
| Ferozsons Laboratories Limited | 650 | | | 650 | | | | 0.00% |
| GlaxoSmithKline Consumer Healthcare Limited | 285,000 | 29,300 | | 64,400 | 249,900 | 54,344 | 101,222 | 1.54% |
| GlaxoSmithKline Pakistan Limited | | 20,000 | | | 20,000 | 3,720 | 3,320 | 0.05% |
| Highnoon Laboratories Limited | 32,493 | - | 155 | 31,200 | 1,448 | 810 | 594 | 0.01% |
| The Searle Company Limited | 386,673 | 35,000 | 79,334 | - | 501,007 | 210,888 | 170,092 | 2.59% |
| POWER GENERATION & DISTRIBUTION | | | | | | | | |
| K Electric Limited (face value Rs. 3.5) | 34,078,000 | 2,448,500 | | 6,665,000 | 29,861,500 | 204,664 | 169,613 | 2.59% |
| The Hub Power Company Limited | 2,417,000 | 50,000 | | 1,075,000 | 1,392,000 | 162,466 | 128,287 | 1.98% |
| REFINERY | | | | | | | | |
| Attock Refinery Limited | 196,600 | 70,000 | - | 266,000 | 600 | 226 | 129 | 0.00% |
| National Refinery Limited | - | 45,100 | - | 42,100 | 3,000 | 1,179 | 1,329 | 0.02% |
| CHEMICALS | | | | | | | | |
| Dynea Pakistan (face value Rs. 5) | 1,000 | | | | 1,000 | 101 | 127 | 0.00% |
| Engro Polymer And Chemicals Limited | 2,690,500 | 1,911,500 | - | 1,861,000 | 2,741,000 | 97,645 | 85,958 | 1.31% |
| ICI Pakistan Limited | 119,122 | - | - | - | 119,122 | 130,385 | 95,476 | 1.46% |
| Sitara Chemical Industries Limited | 57,000 | - | - | - | 57,000 | 25,343 | 20,994 | 0.32% |
| FERTILIZER | | | | | | | | |
| Dawood Hercules Corporation Limited | 1,019,200 | | | 114,000 | 905,200 | 123,433 | 100,278 | 1.53% |
| Engro Corporation Limited | 2,177,900 | 340,000 | - | 570,000 | 1,947,900 | 622,395 | 611,368 | 9.33% |
| Engro Fertilizer | 5,232,000 | 725,000 | - | 660,000 | 5,297,000 | 293,673 | 396,798 | 6.05% |
| FOOD & PERSONAL CARE PRODUCTS | | | | | | | | |
| Al Shaheer Corporation Limited | 231,230 | 6,000 | | 225,000 | 12,230 | 392 | 333 | 0.01% |
| Engro Foods Limited | 106,900 | 125,000 | | 231,100 | 800 | 91 | 71 | 0.00% |
| CABLE & ELECTRICAL GOODS | | | | | | | | |
| Pak Elektron Limited | 2,598,500 | 1,030,100 | - | 3,628,600 | - | - | - | 0.00% |
| COMMERCIAL BANK | | | | | | | | |
| Meezan Bank Limited | | 65,000 | | 65,000 | | | | 0.00% |
| AUTOMOBILE PARTS & ACCESSORIES | | | | | | | | |
| Thal Limited (face value Rs. 5) | 213 | - | - | - | 213 | 129 | 102 | 0.00% |
| TECHNOLOGY & COMMUNICATION | | | | | | | | |
| Avanceon Limited | | 65,000 | | | 65,000 | 3,507 | 4,306 | 0.07% |
| Pakistan Telecommunication Company Ltd. Systems Limited | 100,000 | 1,050,000 | | 1,150,000 | | | | 0.00% |
| | - | 155,500 | - | - | 155,500 | 15,007 | 15,740 | 0.24% |
| TEXTILE COMPOSITE | | | | | | | | |
| Nishat Mills Limited | 439,300 | 262,400 | | 77,000 | 624,700 | 96,879 | 88,033 | 1.34% |
| VANASPATI & ALLIED INDUSTRIES | | | | | | | | |
| Unity Foods Limited | - | 400,000 | - | - | 400,000 | 10,936 | 11,712 | 0.18% |
| MISCELLANEOUS | | | | | | | | |
| Shifa International Hospitals | 6,390 | - | - | 6,300 | 90 | 30 | 24 | 0.00% |
| RIGHT CERTIFICATE | | | | | | | | |
| Engro Polymer And Chemicals Limited | | | 1,088,170 | | 1,088,170 | | 9,598 | 0.15% |
| Total | | | | | | 6,588,446 | 5,740,781 | 87.59% |
| Total as at June 30, 2017 | | | | | | 6,503,782 | 7,270,303 | 86% |

5.2.1 Investments include shares with market value of Rs 47.079 million (2017: Rs 48.890 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

5.2.2 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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, The Searle Company Limited, Highnoon Laboratories and Pakistan State Oil Company Limited (2017: The Searle Company Limited, Highnoon Laboratories and Al Shaheer Corporation Limited) have issued bonus shares after withholding 5% shares on account of tax on bonus shares. The shares withheld haven't been deposited by the respective Companies with the Government Treasury due to the pending adjudication of the aforementioned Constitutional Petition and the related stay order in this regard.

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|----------------|
| 5.3 Unrealised (diminution) / appreciation on re-measurement of investments classified as Financial assets at fair value through profit or loss | | | |
| Market value of investments | 5.2 | 5,740,781 | 7,270,303 |
| Carrying value of investments | 5.2 | (6,588,446) | (6,503,782) |
| | | <u>(847,665)</u> | <u>766,521</u> |
| 5.4 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale' | | | |
| Market value of investments | 5.1 | 814,267 | 1,164,714 |
| Carrying value of investments | 5.1 | (614,716) | (616,232) |
| | | 199,551 | 548,482 |
| Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1 | | (548,482) | (328,803) |
| | | <u>(348,931)</u> | <u>219,679</u> |
| 6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Security deposit with Central Depository Company of Pakistan Limited | | 238 | 238 |
| Security deposit with National Clearing Company of Pakistan Limited | | 2,500 | 2,500 |
| Advance against Initial Public Offer subscription | | 500 | - |
| Prepayments | | - | 51 |
| Profit accrued on balances with banks | | 5,207 | 12,107 |
| | | <u>8,445</u> | <u>14,896</u> |



| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------------|
| 7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY | | | |
| Management fee payable | 7.1 | 11,568 | 15,367 |
| Sindh Sales Tax payable on remuneration of the Management Company | 7.2 | 1,504 | 1,998 |
| Allocated expenses | 7.3 | 579 | 768 |
| Sales load payable | | 94 | 483 |
| Sindh Sales Tax on sales load | | 12 | 63 |
| Selling and marketing expenses payable | 7.4 | 19,939 | 12,746 |
| | | 33,696 | 31,425 |

- 7.1** As per regulation 61 of the NBFC Regulations, 2008, Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of an Equity Scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2017: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2018. The remuneration is payable to the Management Company monthly in arrears.
- 7.2** During the year, an amount of Rs. 19.803 million (2017: Rs. 20.124 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 20.336 million (2017: Rs. 19.350 million) has been paid to the Management Company which acts as a collecting agent.
- 7.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.
- 7.4** The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund during the current year at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee fee payable | 8.1 | 661 | 851 |
| Sindh Sales Tax payable on trustee fee | 8.2 | 86 | 110 |
| | | 747 | 961 |

- 8.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1,000 million Rs 0.7 million or 0.20% per annum of net assets, whichever is higher.
- exceeding Rs.1,000 million Rs 2.0 million plus 0.10% per annum of net assets exceeding Rs 1,000 million.

- 8.2** During the year, an amount of Rs 1.120 million (2017: Rs. 1.114 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 1.145 million (2017: Rs. 1.075 million) was paid to the Trustee which acts as a collecting agent.

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a collective investment scheme classified as a equity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% (June 30, 2017: 0.095%) of the average annual net assets of the Fund as annual fee.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|----------------|
| 10. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 695 | 585 |
| Printing expenses payable | | - | 97 |
| Brokerage payable | | 1,694 | 2,481 |
| Shariah advisor fee payable | | 372 | 417 |
| Charity payable | 10.1 | 4,929 | 4,598 |
| Withholding tax payable | | 1,237 | 23,494 |
| Capital gain tax payable | | 721 | 926 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on management fee | 10.2 | 35,988 | 35,988 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on sales load | 10.2 | 3,458 | 3,458 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 10.3 | 50,068 | 50,068 |
| Zakat payable | | 22 | 8 |
| | | 99,184 | 122,120 |

- 10.1** According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the year ended June 30, 2018, non-Shariah compliant income amounting to Rs 5.031 million (2017: Rs 3.413 million) was charged as an expense in the books of the Fund. As per the requirement of Clause 3.3.2 of Offering document, following is the list of charitable / welfare organizations to whom charity payments were made in excess of Rs. 200,000 during the year ended June 30, 2018.

- Health Care Services
- Chinniot Anjuman Islamia
- Chinniot Baitul maal
- Umair Sana Foundation
- Jamiat Panjabi Saudagran e Delhi
- Liver Foundation Trust
- Edhi Foundation

- 10.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16% on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the



rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 39.446 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.10 (2017: Re 0.09) per unit.

- 10.3** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.13 per unit (2017: Re 0.12 per unit).

11. CONTINGENCIES AND COMMITMENTS

- 11.1** There were no other contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

2018 2017
(Rupees in '000)

12. AUDITORS' REMUNERATION

| | | |
|------------------------------|------------|-----|
| Annual audit fee | 610 | 465 |
| Half yearly review | 110 | 110 |
| Fee for other certifications | - | 120 |
| Out of pocket expenses | 34 | 76 |
| | 754 | 771 |

13. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 3.14% which includes 0.38% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal Excise Duties, Annual fee to the SECP etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity Scheme.

| 14. PERFORMANCE TABLE | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------------|------------------|--------------------|-------------------|-------------------|
| Net assets (Rs. in '000) (ex-distribution) | 6,864,010 | 9,079,465 | 5,418,397 | 4,006,911 | 2,847,050 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution) | 17.6583 | 21.1400 | 17.9900 | 16.2800 | 13.9000 |
| Offer price per unit as at June 30 (Rs.) (ex-distribution) | 18.0574 | 21.6200 | 18.4700 | 16.7100 | 14.3100 |
| Highest offer price per unit (Rs.) | 21.9300 | 25.5900 | 19.5700 | 17.8200 | 16.5400 |
| Lowest offer price per unit (Rs.) | 16.7800 | 18.9000 | 15.4900 | 13.5400 | 12.8500 |
| Highest redemption price per unit (Rs.) | 21.4500 | 25.0200 | 19.0700 | 17.3600 | 16.0700 |
| Lowest redemption price per unit (Rs.) | 16.4100 | 18.4800 | 15.0900 | 13.1600 | 12.4800 |
| Distribution (%) | | | | | |
| - Annual | - | - | - | - | - |
| - Interim | - | 10 | 8 | 7 | 24 |
| Dates of distribution | - | 23-Jun-2018 | 24-Jun-2016 | 26-Jun-2015 | 30-May-2014 |
| Income distribution (Rupees in '000) | - | 412,311 | 235,503 | 142,033 | 59 |
| Growth distribution (Rupees in '000) | - | - | - | - | 418,364 |
| Total return (%) | -16% | 23% | 16% | 22% | 30% |
| | One year | Two years | Three years | Four years | Five years |
| Average annual return (%) as at June 30, 2018 | -16% | 19% | 18% | 19% | 21% |

Investment portfolio composition of the Fund

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

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

14. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred net loss during the year.

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



15. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 15.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 15.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 15.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 15.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 15.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

| | 2018 | 2017 |
|---|------------------|-----------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Limited (Management Company) | | |
| Transactions during the year | | |
| Remuneration charged | 152,325 | 154,800 |
| Sindh Sales Tax on remuneration of the Management Company | 19,803 | 20,124 |
| Allocated expenses | 7,616 | 7,737 |
| Selling and marketing charges | 30,465 | 12,746 |
| Issue of 9,972,626 (2017: 9,637,716) units | 178,927 | 222,729 |
| Redemption of 9,972,626 (2017: 2,674,834) units | 178,927 | 52,000 |
| Cash dividend | - | 47,729 |
| Balances | | |
| Remuneration Payable | 11,568 | 15,367 |
| Sindh Sales Tax on management fee payable | 1,504 | 1,998 |
| Sales load payable | 94 | 483 |
| Sindh Sales Tax on sales load payable | 12 | 63 |
| Allocated expenses payable | 579 | 768 |
| Selling and marketing expenses payable | 19,939 | 12,746 |
| Outstanding 49,744,595 (2017: 49,744,595) units - at net asset value | 878,407 | 1,051,601 |
| Central Depository Company of Pakistan Limited - CDC (Trustee) | | |
| Transactions during the year | | |
| Remuneration of the Trustee | 8,616 | 8,740 |
| Sindh Sales Tax on remuneration of the Trustee | 1,120 | 1,114 |
| Settlement charges incurred | 149 | 189 |
| Sindh Sales Tax on settlement charges | 19 | 24 |
| Balances | | |
| Security deposit | 238 | 238 |
| Remuneration payable | 661 | 851 |
| Sindh Sales Tax on trustee fee payable | 86 | 110 |

| | 2018 | 2017 |
|--|------------------|----------------|
| | (Rupees in '000) | |
| Meezan Bank Limited | | |
| Transactions during the year | | |
| Profit on saving account | 381 | 694 |
| Shares sold during the year: 65,000 (June 30, 2017: nil shares) | 5,132 | - |
| Issue of 1,131,074 (2017: 12,555,978) units | <u>22,316</u> | <u>262,316</u> |
| Redemption of nil (2017: nil) units | - | - |
| Balances | | |
| Profit receivable on saving account | 394 | 459 |
| Balance with bank | <u>62,131</u> | <u>51,108</u> |
| Sales load payable | 176 | 694 |
| Sindh Sales Tax on sales load | 23 | 90 |
| Outstanding 22,232,227 (2017: 23,363,301) units - at net asset value | <u>392,583</u> | <u>493,900</u> |
| Cash dividend | - | 22,316 |
| Meezan Strategic Allocation Plan - I | | |
| Issue of 1,139,692 (2017: 13,489,277) units | 20,000 | 276,885 |
| Redemption of 1,695,601 (2017: nil) units | <u>31,000</u> | <u>-</u> |
| Outstanding 12,933,368 (2017: 13,489,277) units - at net asset value | <u>228,381</u> | <u>285,163</u> |
| Cash dividend | - | 12,885 |
| Meezan Strategic Allocation Plan - II | | |
| Issue of nil (2017: 2,6045,712) units | - | 595,979 |
| Redemption of 3,227,112 (2017: nil) units | <u>59,000</u> | <u>-</u> |
| Outstanding 22,818,600 (2017: 26,045,712) units - at net asset value | <u>402,938</u> | <u>550,606</u> |
| Cash dividend | - | 24,878 |
| Meezan Strategic Allocation Plan - IV | | |
| Issue of nil (2017: 2,151,219) units | - | 47,055 |
| Redemption of 273,484 (2017: nil) units | <u>5,000</u> | <u>-</u> |
| Outstanding 1,877,734 (2017: 2,151,219) units - at net asset value | <u>33,158</u> | <u>45,477</u> |
| Cash dividend | - | 2,055 |
| Meezan Financial Planning Fund of Funds - MAAP - I | | |
| Issue of 2,332,317(2017: 153,141) units | 43,000 | 3,263 |
| Redemption of 5,709,108 (2017: nil) units | <u>110,990</u> | <u>-</u> |
| Outstanding 39,791 (2017: 3416,582) units - at net asset value | <u>703</u> | <u>72,227</u> |
| Cash dividend | - | 3,263 |
| Meezan Financial Planning Fund of Funds - MAAP - III | | |
| Issue of nil (2017: 842,427) units | - | 17,952 |
| Redemption of 18,794,560 (2017: nil) units | <u>319,508</u> | <u>-</u> |
| Outstanding nil (2017: 1,8794,560) units - at net asset value | - | 397,317 |
| Cash dividend | - | 17,952 |
| Meezan Financial Planning Fund of Funds - MAAP - IV | | |
| Issue of nil (2017: 3941,239) units | - | 74,765 |
| Redemption of 2,636,917 (2017: nil) units | <u>49,000</u> | <u>-</u> |
| Outstanding 1,304,322 (2017: 3941,239) units - at net asset value | <u>23,034</u> | <u>83,318</u> |
| Cash dividend | - | 3,765 |



2018 2017
(Rupees in '000)

Meezan Financial Planning Fund of Funds - MCPP - I

Issue of nil (2017: 349,9470) units
Redemption of nil (2017: 349,9470) units
Outstanding nil (2017: nil) units - at net asset value
Cash dividend

| | |
|---|--------|
| - | 66,000 |
| - | 67,673 |
| - | - |
| - | - |

Meezan Financial Planning Fund of Funds - MCPP - II

Issue of nil (2017: 2,991,027) units
Redemption of nil (2017: 7,903,203) units
Outstanding nil (2017: nil) units - at net asset value
Cash dividend

| | |
|---|---------|
| - | 60,000 |
| - | 183,038 |
| - | - |
| - | - |

Directors and executives of the Management Company

Issue of 3,085,022 (2017: 1,013,769) units
Redemption of 2,562,223 (2017: 1,430,834) units
Outstanding 19,238,654 (2017: 18,715,854) units - at net asset value
Cash dividend

| | |
|---------|---------|
| 57,044 | 23,870 |
| 47,446 | 31,386 |
| 339,722 | 395,653 |
| - | 17,981 |

Pakistan Kuwait Investment Company (Private) Limited

Outstanding 16,895,690 (2017: 16,895,690) units - at net asset value

| | |
|---------|---------|
| 298,349 | 357,175 |
|---------|---------|

Unitholders holding 10% or more units of the Fund

| | |
|---|---------|
| - | 769,643 |
|---|---------|

15.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

16. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | |
|---|-----------------------|--------------------------------------|--------------------|-----------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 440,313 | - | - | 440,313 |
| Investments | - | 5,740,781 | 814,267 | 6,555,048 |
| Receivable against conversion of units | 6,503 | - | - | 6,503 |
| Dividend receivable | 19,091 | - | - | 19,091 |
| Advances, deposits and other receivables | 8,445 | - | - | 8,445 |
| | 474,352 | 5,740,781 | 814,267 | 7,029,400 |
| | 2018 | | | |
| | | At fair value through profit or loss | At amortised cost | Total |
| | Rupees in '000 | | | |
| Financial liabilities | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | - | 33,696 | 33,696 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | - | 747 | 747 |
| Payable to Meezan Bank Limited | - | - | 199 | 199 |
| Payable against conversion and redemption of units | - | - | 19,411 | 19,411 |
| Payable against purchase of investments | - | - | - | - |
| Dividend payable | - | - | 4,917 | 4,917 |
| Accrued expenses and other liabilities | - | - | 7,690 | 7,690 |
| | - | - | 66,660 | 66,660 |

| | 2017 | | | Total |
|---|-----------------------|--------------------------------------|--------------------|------------------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | |
| -----Rupees in '000----- | | | | |
| Financial assets | | | | |
| Balances with banks | 798,436 | - | - | 798,436 |
| Investments | - | 7,270,303 | 1,164,714 | 8,435,017 |
| Receivable against conversion of units | 17,373 | - | - | 17,373 |
| Dividend receivable | 40,481 | - | - | 40,481 |
| Advances, deposits and other receivables | 14,845 | - | - | 14,845 |
| | <u>871,135</u> | <u>7,270,303</u> | <u>1,164,714</u> | <u>9,306,152</u> |
| | | 2017 | | |
| | | At fair value through profit or loss | At amortised cost | Total |
| -----Rupees in '000----- | | | | |
| Financial liabilities | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | 31,425 | 31,425 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | - | 961 | 961 |
| Payable to Meezan Bank Limited | | - | 784 | 784 |
| Payable against conversion and redemption of units | | - | 6,830 | 6,830 |
| Payable against purchase of investments | | - | 15,116 | 15,116 |
| Dividend payable | | - | 42,149 | 42,149 |
| Accrued expenses and other liabilities | | - | 8,178 | 8,178 |
| | | - | <u>105,443</u> | <u>105,443</u> |

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policy of the Fund aims to maximise the return attributable to the unitholders and seeks to minimise potential adverse effects on the Fund's financial performance. Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks, (including price risk and interest rate risk) credit risk and liquidity risk. Further, overall exposure of the Fund complies with the NBFC Regulations, and the directives issued by Securities and Exchange Commission of Pakistan (SECP). Risks managed and measured by the Fund are explained below:

17.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: profit risk, currency risk and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.



a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.05 million (2017: Rs. 0.12 million).

b) Sensitivity analysis for fixed rate instruments

As at 30 June 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | 2018 | | | | | |
|---|-------------------------------------|---------------------------------------|--|--------------------|---|------------------|
| | 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 assets | | | | | | |
| Balances with banks | 2.00% - 6.60% | 427,181 | - | - | 13,132 | 440,313 |
| Investments | | - | - | - | 6,555,048 | 6,555,048 |
| Receivable against conversion of units | | - | - | - | 6,503 | 6,503 |
| Dividend receivable | | - | - | - | 19,091 | 19,091 |
| Advances, deposits and other receivables | | - | - | - | 8,445 | 8,445 |
| | | 427,181 | - | - | 6,602,219 | 7,029,400 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | - | - | 33,696 | 33,696 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 747 | 747 |
| Payable to Meezan Bank Limited | | - | - | - | 199 | 199 |
| Payable against conversion and redemption of units | | - | - | - | 19,411 | 19,411 |
| Payable against purchase of investments | | - | - | - | - | - |
| Dividend payable | | - | - | - | 4,917 | 4,917 |
| Accrued expenses and other liabilities | | - | - | - | 7,690 | 7,690 |
| | | - | - | - | 66,660 | 66,660 |
| On-balance sheet gap (a) | | 427,181 | - | - | 6,535,559 | 6,962,740 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 427,181 | - | - | - | - |
| Cumulative profit rate sensitivity gap | | 427,181 | 427,181 | 427,181 | - | - |

| | 2017 | | | | Total | |
|---|-------------------------------------|---------------------------------------|--|--------------------|-----------|---|
| | Effective yield / interest rate (%) | Exposed to yield / Interest rate risk | | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| ----- (Rupees in '000) ----- | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.00% - 5.70% | 777,718 | - | - | 798,436 | |
| Investments | | | | 20,718 | 8,435,017 | |
| Receivable against conversion of units | | - | - | - | 17,373 | |
| Dividend receivable | | - | - | - | 40,481 | |
| Advances, deposits and other receivables | | - | - | - | 14,845 | |
| | | 777,718 | | | 8,528,434 | |
| | | | | | 9,306,152 | |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | - | - | 31,425 | |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 961 | |
| Payable to Meezan Bank Limited | | - | - | - | 784 | |
| Payable against conversion and redemption of units | | - | - | - | 6,830 | |
| Payable against purchase of investments | | - | - | - | 15,116 | |
| Dividend payable | | - | - | - | 42,149 | |
| Accrued expenses and other liabilities | | - | - | - | 8,178 | |
| | | | | | 105,443 | |
| | | | | | 105,443 | |
| On balance sheet gap (a) | | 777,718 | | | 8,422,991 | |
| | | | | | 9,200,709 | |
| Off balance sheet financial instruments | | | | | | |
| Off balance sheet gap (b) | | | | | | |
| Total profit rate sensitivity gap (a+b) | | 777,718 | | | | |
| Cumulative profit rate sensitivity gap | | 777,718 | 777,718 | 777,718 | | |

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'available-for-sale' or 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2018, the total income of the Fund and "other comprehensive income" with all other variables held constant, would increase / decrease by Rs 57.408 million and Rs 8.143 million (2017: Rs 72.703 million and Rs 11.647 million) respectively and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as available-for-sale and financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical





correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

17.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement. The maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | Financial instruments with no fixed maturity | Total |
|---|----------------|---|--|---------------------------------------|-------------------|--|------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than One year and upto five year | More than 5 years | | |
| ----- (Rupees in '000) ----- | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 440,313 | - | - | - | - | - | 440,313 |
| Investments | - | - | - | - | - | 6,555,048 | 6,555,048 |
| Receivable against conversion of units | 6,503 | - | - | - | - | - | 6,503 |
| Dividend receivable | 19,091 | - | - | - | - | - | 19,091 |
| Advances, deposits and other receivables | 5,207 | - | - | - | - | 3,238 | 8,445 |
| | 471,114 | - | - | - | - | 6,558,286 | 7,029,400 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | 33,696 | - | - | - | - | - | 33,696 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | 747 | - | - | - | - | - | 747 |
| Payable to Meezan Bank Limited | 199 | - | - | - | - | - | 199 |
| Payable against conversion and redemption of units | 19,411 | - | - | - | - | - | 19,411 |
| Payable against purchase of investments | - | - | - | - | - | - | - |
| Dividend payable | 4,917 | - | - | - | - | - | 4,917 |
| Accrued expenses and other liabilities | 1,694 | 5,996 | - | - | - | - | 7,690 |
| | 60,664 | 5,996 | - | - | - | - | 66,660 |
| Net assets / (liabilities) | 410,450 | (5,996) | - | - | - | 6,558,286 | 6,962,740 |

| | 2017 | | | | | Total |
|---|------------------------------|---|--|---------------------------------------|-------------------|-----------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than One year and upto five year | More than 5 years | |
| | ----- (Rupees in '000) ----- | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 798,436 | - | - | - | - | 798,436 |
| Investments | | | | | 8,435,017 | 8,435,017 |
| Receivable against conversion of units | 17,373 | - | - | - | - | 17,373 |
| Dividend receivable | 40,481 | | | | | 40,481 |
| Advances, deposits and other receivables | 12,107 | - | - | - | 2,738 | 14,845 |
| | 868,397 | | | | 8,437,755 | 9,306,152 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 31,425 | - | - | - | - | 31,425 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 961 | - | - | - | - | 961 |
| Payable to Meezan Bank Limited | 784 | | | | | 784 |
| Payable against conversion and redemption of units | 6,830 | | | | | 6,830 |
| Payable against purchase of investments | 15,116 | | | | | 15,116 |
| Dividend payable | 42,149 | | | | | 42,149 |
| Accrued expenses and other liabilities | 2,481 | 5,600 | 97 | - | - | 8,178 |
| | 99,746 | 5,600 | 97 | | | 105,443 |
| Net assets / (liabilities) | 768,651 | (5,600) | (97) | | 8,437,755 | 9,200,709 |

17.3 Credit risk

17.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|---|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| | ----- (Rupees in '000) ----- | | | |
| Bank balances | 40,313 | 440,313 | 798,436 | 798,436 |
| Investment | 6,555,048 | - | 8,435,017 | - |
| Receivable against issue of units | 6,503 | 6,503 | 17,373 | 17,373 |
| Dividend receivable | 19,091 | 19,091 | 40,481 | 40,481 |
| Advances, deposits, and other receivables | 8,445 | 8,445 | 14,896 | 14,845 |
| | <u>7,029,400</u> | <u>474,352</u> | <u>9,306,203</u> | <u>871,135</u> |

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in equity securities of Rs 6,555.048 million (2017: Rs 8,435.017 million) is not exposed to credit risk.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent control established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee



17.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, dividend receivable and receivable against conversion of units and against investments. The credit rating profile of balances with banks is as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|---|-------------|
| | 2018 | 2017 |
| AAA | 66.69% | 0% |
| AA+ | 32.95% | 12% |
| AA | 0.00% | 7% |
| A+ | 0.30% | 37% |
| A | 0.00% | 44% |
| AA- | 0.06% | 0% |
| | 100% | 100% |

17.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

18. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 5,740,781 | - | - |
| Available-for-sale | 814,267 | - | - |
| | 6,555,048 | - | - |
| | | | |
| | 2017 | | |
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 7,270,303 | - | - |
| Available-for-sale | 1,164,714 | - | - |
| | 8,435,017 | - | - |

19. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 17, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

20. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|----------------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 4,091 | 2,567,694 | 37.41 | 3,844 | 3,167,518 | 34.89 |
| Associated Companies / Directors | 7 | 2,190,033 | 31.91 | 10 | 2,868,508 | 31.59 |
| Insurance Companies | 1 | 156,173 | 2.28 | 1 | 186,974 | 2.06 |
| Banks and DFIs | 2 | 402,387 | 5.86 | 2 | 862,852 | 9.50 |
| Retirement Funds | 30 | 1,300,944 | 18.95 | 32 | 1,052,438 | 11.59 |
| Public Limited Companies | 1 | 195 | 0.00 | 1 | 234 | 0.00 |
| Others | 39 | 246,584 | 3.59 | 39 | 940,941 | 10.37 |
| | 4,171 | 6,864,010 | 100% | 3,929 | 9,079,465 | 100% |





21. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|--|-------------------------------|--|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| JS Global Capital Limited | 8.93 | JS Global Capital Limited | 9.46 |
| Optimus Capital Management (Pvt) Limited | 7.51 | BMA Capital Management Limited | 8.96 |
| Arif Habib Securities Limited | 7.50 | Top Line Securities (Private) Limited | 8.57 |
| Foundation Securities (Private) Limited | 6.75 | Arif Habib Securities Limited | 8.47 |
| Taurus Securities Limited | 6.54 | Next Capital Limited | 7.11 |
| Fortune Securities Limited | 6.42 | Taurus Securities Limited | 7.06 |
| Al Falah | 6.06 | Foundation Securities (Private) Limited | 6.97 |
| SCS | 5.55 | Aba Ali Habib Securities (Private) Limited | 6.27 |
| BMA Capital Management Limited | 4.53 | AKD Securities (Private) Limited | 4.64 |
| Aba Ali Habib Securities (Private) Limited | 4.42 | Fortune Securities Limited | 4.00 |

22. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

22.1 The Fund manager of the Fund is Mr. Ahmed Hassan. Other Funds being managed by the Fund Manager are as follows:

- Planning Funds of Funds
- Meezan Strategic Allocation fund
- Meezan Strategic Allocation fund II
- Meezan Dedicated Equity Fund
- Meezan Energy Fund; and
- Meezan Asset Allocation Fund

23. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | | | | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | |
| Ms. Saima Kamila Khan ** | Director | | | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | | | |
| Mazhar Sharif *** | Director | Yes | Yes | | | |
| Mr. Naeem Sattar *** | Director | | | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

24. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

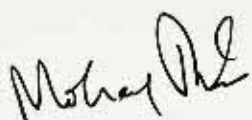
25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

26. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director



**Al Meezan
Mutual Fund**





KSE-Meezan Index Fund

KSE-MEEZAN INDEX FUND (KMIF)

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

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoab, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | 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

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Open end index tracker fund

Objective

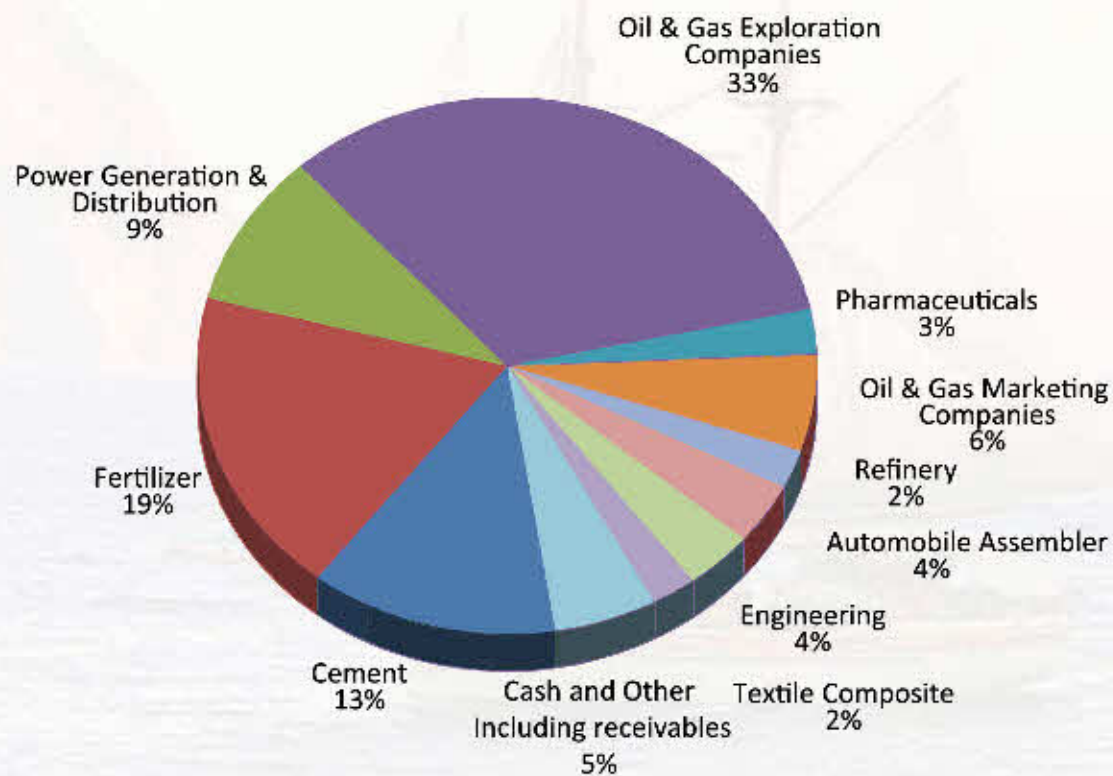
The objective of KMIF is to provide investors an opportunity to track the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the Index in proportion to their weightages.

Strategy, Investment Policy and Asset Allocation

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

As on June 30, 2018, the asset allocation of the fund is as given below:

Sector Allocation as on 30th June 2018

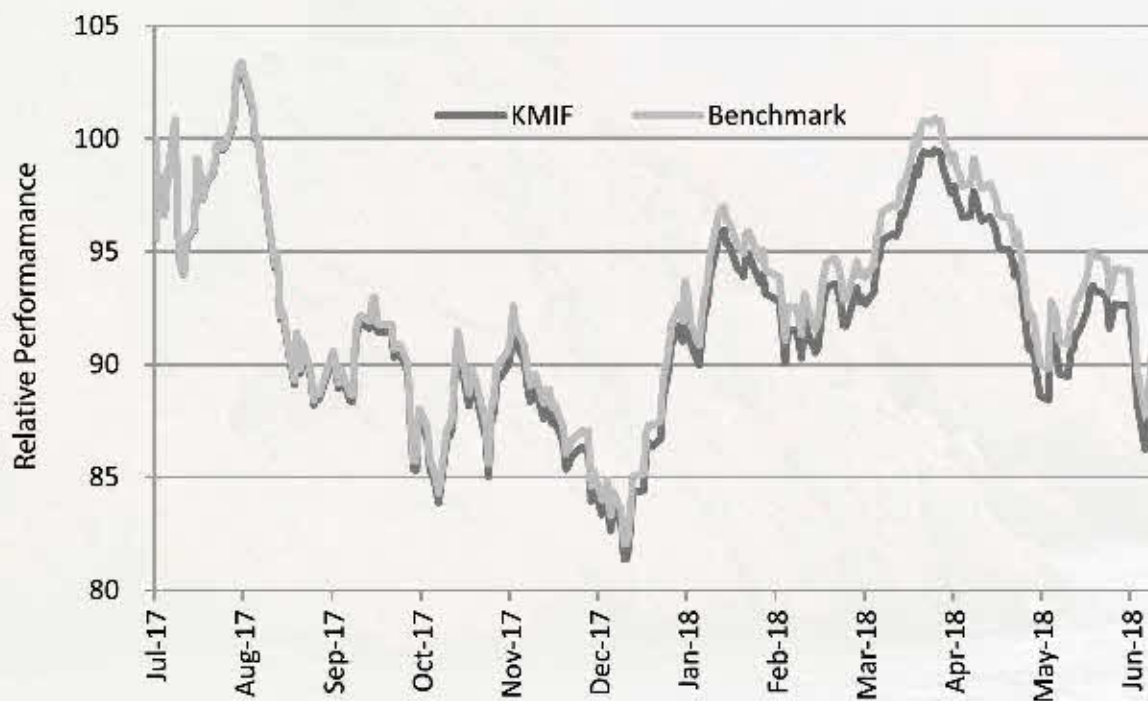


Performance Review

During FY18, KSE Meezan Index Fund (KMIF) provided a return of negative 11.19% to its investors while KSE Meezan Index (KMI 30) returned negative 9.59% to close at 71,060 pts. On a gross basis, the fund's return was 9.63%, thus tracking 99.63% of the benchmark return with tracking error remaining within the stipulated limits.

KMIF posted a total loss of Rs. 187 million in the fiscal year 2018 as compared to a total income of Rs. 56 million last year. Total loss comprised of realized and unrealized capital losses on investments of Rs. 97 million and Rs. 183 million respectively. Dividend income contributed Rs. 92 million to income, while profit on saving accounts with banks amounted to Rs. 0.31 million. After accounting for expenses of Rs. 30 million, the Fund posted a net loss of Rs. 217 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,687 million as compared to Rs. 1,909 million at the end of last year depicting a decline of 11.63%. The net asset value per unit as at June 30, 2018 was Rs. 70.66 as compared to Rs. 79.56 per unit as on June 30, 2017.

| | KMIF | KMI-30 |
|---|----------------|---------------|
| Net Asset Value (NAV) as on June 30, 2017 | 79.56 | 78,598 |
| Net Asset Value (NAV) as on June 30, 2018 | 70.66 | 71,060 |
| Return During the Period | -11.19% | -9.59% |





Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2018 an amount of Rs. 1.68 million was accrued as charity payable.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.

Summary of Actual Proxy Voted By the Fund

| | Resolutions | For | Against | Abstain |
|------------|-------------|------|---------|---------|
| Number | 3 | 3 | - | - |
| Percentage | 100% | 100% | - | - |

The proxy voting policy of Al Meezan Investment Management Limited, duly approved by Board of Directors of the Management Company, is available on the website www.almeezangroup.com. A detailed information regarding actual proxies voted by the Management Company in respect of funds is also available without charge, upon request, to all unit holders.

Breakdown of unit holdings by size:

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|-------------------|------------------|
| 1 - 9,999 | 755 |
| 10,000 - 49,999 | 90 |
| 50,000 - 99,999 | 8 |
| 100,000 - 499,999 | 8 |
| 500,000 and above | 6 |
| Total | 867 |



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor –KSE Meezan Index Fund

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

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

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

- i. We have reviewed and approved the modes of investments of KMIF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of KMIF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 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) |
| Pakistan Petroleum Ltd. | Oil & Gas Exploration Companies | 0.06% | 20.86% | 3.79% | 43% | 39.29 | 205.91 |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| Engro Corporation Ltd. | Fertilizer | 29.53% | 21.57% | 3.03% | 65% | (75.29) | |
| Pakistan Oil Fields | Oil & Gas Exploration Companies | 0.00% | 0.01% | 2.00% | 72% | (40.74) | |
| Lucky Cement | Cement | 10.50% | 0.00% | 3.23% | 68% | (231.74) | |

Page 1 of 2



| | (i) | (ii)** | (iii) | (iv) | (v) | (vi) | |
|-----------------------|-----------------------------------|--------|--------|-------|-----|----------|--|
| The Hub Power Company | Power Generation and Distribution | 32.31% | 0.00% | 0.11% | 36% | (22.54) | |
| Engro Fertilizer | Fertilizer | 29.63% | 7.32% | 0.12% | 77% | (32.84) | |
| Dawood Hercules | Fertilizer | 28.47% | 20.73% | 2.99% | 64% | (76.26) | |
| Mari Petroleum Ltd | Oil & Gas Exploration Companies | 6.30% | 13.35% | 0.63% | 43% | (440.91) | |

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

** All interest based debts.

- ii. On the basis of information provided by the management, all operations of KMIF for the year ended June 30, 2018 have been in compliance with the *Shari'ah* principles.

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

May Allah bless us with best Tawfcoq 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

Shari'ah Advisor

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

KSE MEEZAN INDEX FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of KSE Meezan Index Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





INDEPENDENT AUDITOR'S REPORT

**To the Unitholders of KSE Meezan Index Fund
Report on the Audit of the Financial Statements**

Opinion

We have audited the financial statements of KSE Meezan Index Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|---|
| 1 | Amendments to NBFC Regulations, 2008 (Refer note 3.10 to the annexed financial statements) The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'. | We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income. We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework. |

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|----------|---|---|
| | <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | |
| 2 | Net Asset Value | |
| | <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 1,678 million.</p> <p>The proper valuation of investments for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of the key controls for valuation of investments; • Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and • Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

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In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation

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precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

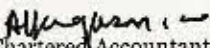
Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


Chartered Accountants

Karachi

Date: September 19, 2018





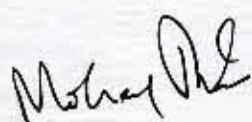
STATEMENT OF ASSETS AND LIABILITIES

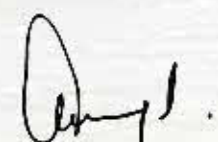
AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-------------------|
| Assets | | | |
| Balances with banks | 4 | 19,141 | 10,585 |
| Investments | 5 | 1,686,929 | 1,916,081 |
| Receivable against investments | | - | 155,028 |
| Receivable against conversion of units | | 654 | 845 |
| Dividend receivable | | 62 | 6,944 |
| Deposits and other receivables | 6 | 2,781 | 2,855 |
| Total assets | | 1,709,567 | 2,092,338 |
| Liabilities | | | |
| Remuneration of AI Meezan Investment Management Limited - Management Company | 8 | 1,803 | 2,176 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | 253 | 286 |
| Payable to the Securities and Exchange Commission of Pakistan | 10 | 1,647 | 1,092 |
| Payable to Meezan Bank Limited | | 43 | 47 |
| Payable against conversion and redemption of units | | 69 | 1,725 |
| Payable against purchase of investments | | 266 | - |
| Dividend payable | | - | 146,426 |
| Accrued expenses and other liabilities | 11 | 18,006 | 31,712 |
| Total liabilities | | 22,087 | 183,464 |
| NET ASSETS | | 1,687,480 | 1,908,874 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 1,687,480 | 1,908,874 |
| CONTINGENCIES AND COMMITMENTS | 12 | | |
| NUMBER OF UNITS IN ISSUE | | 23,882,324 | 23,992,784 |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | | 70.6581 | 79.5600 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

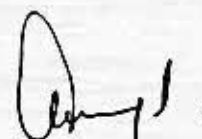
| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|----------------|
| Income | | | |
| Dividend income | | 91,836 | 52,378 |
| Profit on balances with banks | | 305 | 565 |
| Realised (loss) / gain on sale of investments - net | | (96,851) | 36,058 |
| Reversal of provision for Workers' Welfare Fund (WWF) | | - | 12,897 |
| Other income | | 1,176 | 3,733 |
| | | (3,534) | 105,631 |
| Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.2 | (183,503) | (49,847) |
| Total (loss) / income | | (187,037) | 55,784 |
| Expenses | | | |
| Remuneration of Al Meezan Investment Management Limited - Management Company | 8.1 | 17,339 | 11,490 |
| Sindh Sales Tax on remuneration of the Management Company | 8.2 | 2,254 | 1,494 |
| Allocated expenses | 8.3 | 1,734 | 1,149 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 9.1 | 2,731 | 2,112 |
| Sindh Sales Tax on remuneration of the Trustee | 9.2 | 355 | 275 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 10 | 1,647 | 1,092 |
| Brokerage expense | | 1,673 | 3,613 |
| Auditors' remuneration | 13 | 359 | 368 |
| Amortisation of preliminary expenses and floatation cost | 7 | - | 361 |
| Fee and subscription | | 568 | 693 |
| Printing expense | | 36 | 40 |
| Legal and professional charges | | 49 | 103 |
| Charity expense | 11.2 | 1,678 | 839 |
| Bank charges and settlement charges | | 38 | 38 |
| Provision for Sindh Workers' Welfare Fund | 11.3 | - | 9,270 |
| Total expenses | | 30,461 | 32,937 |
| Net (loss) / income from operating activities | | (217,498) | 22,847 |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | 3.11 | - | 263,646 |
| Net (loss) / income for the year before taxation | | (217,498) | 286,493 |
| Taxation | 16 | - | - |
| Net (loss) / income for the year after taxation | | (217,498) | 286,493 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | - | - |
| Income already paid on units redeemed | | - | - |
| | | - | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | - | - |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





KSE-Meezan Index Fund


STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|---------|
| Net (loss) / income for the year after taxation | (217,498) | 286,493 |
| Other comprehensive income for the year | - | - |
| Total comprehensive (loss) / income for the year | (217,498) | 286,493 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

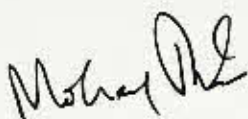
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 | | |
|--|------------------|-------------------------------|------------------|
| | Capital Value | Undistributed income / (loss) | Total |
| | (Rupees in '000) | | |
| Net assets at beginning of the year | 1,473,507 | 435,367 | 1,908,874 |
| Issue of 15,357,871 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 1,221,872 | - | 1,221,872 |
| - Element of income | (52,313) | - | (52,313) |
| Total proceeds on issuance of units | 1,169,559 | - | 1,169,559 |
| Redemption of 15,468,331 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 1,230,660 | - | 1,230,660 |
| - Element of income | (57,205) | - | (57,205) |
| Total payments on redemption of units | 1,173,455 | - | 1,173,455 |
| Total comprehensive loss for the year | - | (217,498) | (217,498) |
| Distribution during the year | - | - | - |
| Net loss for the year less distribution | - | (217,498) | (217,498) |
| Net assets at end of the year | 1,469,611 | 217,869 | 1,687,480 |
| Undistributed income carried forward | | | |
| - Realised income | | 402,733 | |
| - Unrealised loss | | (184,864) | |
| | | 217,869 | |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | |
| - Excluding capital gains | | - | |

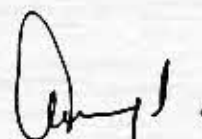
| | (Rupees) |
|--|-----------------------|
| Net assets value per unit at beginning of the year | <u>79.5600</u> |
| Net assets value per unit at end of the year | <u>70.6581</u> |
| | June 30, 2017 |
| | Rupees in '000 |
| Capital Value | 461,862 |
| Undistributed income brought forward | |
| - Realised | 326,799 |
| - Unrealised | 92,968 |
| Net assets at beginning of the year | <u>881,629</u> |
| Issuance of 16,134,539 of units | 1,585,356 |
| Redemption of 3,314,292 of units | (310,065) |
| | 1,275,291 |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | (263,646) |
| Realised gain on sale of investments - net | 36,058 |
| Net unrealised diminution on re measurement of investments classified as 'financial assets at fair value through profit or loss' | (49,847) |
| Other net income for the year | 300,282 |
| Total comprehensive income for the year | 286,493 |
| Interim distribution for the period ended June 30, 2017: cash dividend @ 24% i.e. Rs. 12 per unit | (270,893) |
| Net income for the year less distribution | 15,600 |
| Net assets at end of the year | <u>1,908,874</u> |
| Represented by: | |
| Capital Value | 1,473,507 |
| Undistributed income carried forward | |
| - Realised | 485,214 |
| - Unrealised | (49,847) |
| | <u>1,908,874</u> |
| Net assets value per unit at beginning of the year | 78.9100 |
| Net assets value per unit at end of the year | 79.5600 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



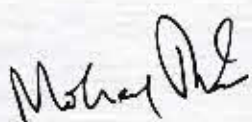


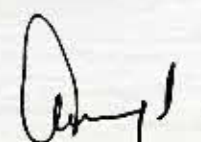
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the year before taxation | (217,498) | 286,493 |
| Adjustments for: | | |
| Amortisation of preliminary expenses and floatation costs | - | 361 |
| Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 183,503 | 49,847 |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | - | (263,646) |
| | (33,995) | 73,055 |
| Decrease / (increase) in assets | | |
| Investments - net | 45,649 | (1,084,135) |
| Receivable against investments | 155,028 | (149,791) |
| Dividend receivable | 6,882 | (4,314) |
| Deposits and other receivables | 74 | (178) |
| | 207,633 | (1,238,418) |
| (Decrease) / Increase in liabilities | | |
| Payable to Al Meezan Investment Management Limited - Management Company | (373) | 1,221 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | (33) | 126 |
| Payable to Securities and Exchange Commission of Pakistan | 555 | 260 |
| Payable to Meezan Bank Limited | (4) | (218) |
| Payable against investments | 266 | |
| Accrued expenses and other liabilities | (13,706) | 8,588 |
| | (13,295) | 9,977 |
| Net cash generated from / (used in) operating activities | 160,343 | (1,155,386) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts against issuance and conversion of units | 1,169,750 | 1,586,044 |
| Payment against redemption and conversion of units | (1,175,111) | (308,457) |
| Dividend paid | (146,426) | (124,512) |
| Net cash (used in) / generated from financing activities | (151,787) | 1,153,075 |
| Net increase / (decrease) in cash and cash equivalents during the year | 8,556 | (2,311) |
| Cash and cash equivalents at beginning of the year | 10,585 | 12,896 |
| Cash and cash equivalents at end of the year | 19,141 | 10,585 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** KSE Meezan Index Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on March 13, 2012 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (NBFC Regulations, 2008). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund is a Shariah Compliant Index Fund that aims to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and be redeemed by surrendering them to the Fund. The Fund is categorized as a Shariah Compliant Index Fund.
- 1.4** The title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.
- 1.5** The JCR VIS has maintained the asset manager rating of the Management Company to AM1 (2017: AM1) on December 29, 2017. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act 2017, along with part VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from





the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.16 and 16).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which are measured at their respective fair values.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the changes in accounting policies as explained in note 3.11 and 3.12 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:



a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption application during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.10 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the



accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 4.892 million in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.12** During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.13 Revenue recognition

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

- Profit on balances with bank is recognised on time proportion basis using the effective yield method.

3.14 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.15 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund.

3.16 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

Deferred

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

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

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

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

3.17 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net loss of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

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



3.18 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

| | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|-------------------------------|------|--------------------------|--------------------------|
| 4. BALANCES WITH BANKS | | | |
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 18,559 | 9,115 |
| Current account | | 582 | 1,470 |
| | | <u>19,141</u> | <u>10,585</u> |

4.1 The balances in saving accounts have expected profit rates ranging from 2.00% to 2.4% per annum (2017: 2.00% to 2.4% per annum).

| | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|--|------|--------------------------|--------------------------|
| 5. INVESTMENTS | | | |
| At fair value through profit or loss - held for trading | | | |
| Quoted equity securities | 5.1 | <u>1,686,929</u> | <u>1,916,081</u> |

5.1 Investments in equity securities - listed

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each except K-Electric Limited which have a face value of Rs 3.5 each.

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Percentage in relation to market value of total investments |
|--|---------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | | | | | | | | |
| Textile Composite | | | | | | | | |
| Nishat Mills Limited | 343,000 | 55,800 | - | 113,100 | 285,700 | 44,877 | 40,261 | 2.39 |
| Cement | | | | | | | | |
| Cherat Cement Company Limited | 188,101 | 18,600 | - | 206,701 | | | | |
| D G Khan Cement Company Limited | 428,200 | 79,000 | - | 107,200 | 400,000 | 81,002 | 45,796 | 2.71 |
| Fauji Cement Company Limited | 1,347,375 | 248,000 | - | 224,500 | 1,370,875 | 53,762 | 31,324 | 1.86 |
| Maple Leaf Cement Ltd. | 422,116 | 201,039 | - | 131,200 | 491,955 | 46,405 | 24,962 | 1.48 |
| Lucky Cement Limited | 229,730 | 46,350 | - | 38,950 | 237,130 | 187,639 | 120,445 | 7.14 |
| Pioneer Cement Limited | 221,621 | 20,800 | - | 242,421 | - | - | - | - |
| Refinery | | | | | | | | |
| Pakistan Refinery Limited | | 165,000 | - | | 165,000 | 5,532 | 5,727 | 0.34 |
| Attock Refinery Limited | 60,433 | 16,300 | - | 14,000 | 62,733 | 22,538 | 13,507 | 0.80 |
| National Refinery Limited | 45,898 | 9,600 | - | 9,150 | 46,348 | 31,850 | 20,533 | 1.22 |
| Power Generation & Distribution | | | | | | | | |
| K Electric Limited (Face value Rs 3.5) | 4,906,040 | 409,500 | - | 314,000 | 5,001,540 | 34,217 | 28,409 | 1.68 |
| Kot Addu Power Company Limited | | 858,500 | - | 596,500 | 262,000 | 14,672 | 14,124 | 0.84 |
| The Hub Power Company Limited | 1,336,132 | 241,200 | - | 320,600 | 1,256,732 | 144,608 | 115,820 | 6.87 |
| Oil and Gas Marketing Companies | | | | | | | | |
| Hi-Tech Lubricants Limited | 55,600 | 8,500 | - | 64,100 | - | - | - | - |
| Hascol Petroleum Limited | 107,318 | 56,635 | - | 70,500 | 93,453 | 28,764 | 29,322 | 1.74 |
| Attock Petroleum Limited | | 41,500 | - | 41,500 | | | | |
| Sui Northern Gas Pipelines Limited | 507,433 | 87,100 | - | 80,700 | 513,833 | 74,328 | 51,496 | 3.05 |
| Sui Southern Gas Company Limited | 577,231 | 113,500 | - | 123,500 | 567,231 | 20,548 | 18,617 | 1.10 |



| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Percentage in relation to market value of total investments |
|--|-------------------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | ----- (Number of shares held) ----- | | | | (Rupees in '000) | | | % |
| Oil and Gas Exploration Companies | | | | | | | | |
| Mari Petroleum Company Limited | 39,151 | 7,360 | - | 6,780 | 39,731 | 62,567 | 59,842 | 3.55 |
| Oil & Gas Development Company Limited | 1,146,218 | 237,300 | - | 195,300 | 1,188,218 | 171,120 | 184,910 | 10.96 |
| Pakistan Oilfields Limited | 192,317 | 37,550 | - | 32,000 | 197,867 | 95,207 | 132,925 | 7.88 |
| Pakistan Petroleum Limited (note 5.1.1) | 855,426 | 173,900 | - | 143,800 | 885,526 | 139,259 | 190,300 | 11.28 |
| Engineering | | | | | | | | |
| International Industries Limited | - | 103,100 | - | 6,000 | 97,100 | 23,801 | 22,555 | 1.34 |
| International Steels Limited | - | 327,200 | - | 13,200 | 314,000 | 33,844 | 31,934 | 1.89 |
| Mughal Iron And Steel Industries Ltd | - | 113,000 | - | - | 113,000 | 6,616 | 6,940 | 0.41 |
| Automobile assembler | | | | | | | | |
| Atlas Honda Limited | 50,667 | 5,700 | - | 56,367 | - | - | - | - |
| Ghandara Limited | 7,509 | 2,300 | - | 9,809 | - | - | - | - |
| Pak Suzuki Motor Company Limited | - | 41,000 | - | - | 41,000 | 15,785 | 16,129 | 0.96 |
| Millat Tractors Limited | 39,800 | 7,380 | - | 7,260 | 39,920 | 54,012 | 47,427 | 2.81 |
| Cable and Electrical Goods | | | | | | | | |
| Pak Elektron Limited | 443,003 | 531,403 | - | 525,603 | 448,803 | 45,391 | 15,915 | 0.94 |
| Paper and boards: | | | | | | | | |
| Packages Limited | 55,662 | 10,850 | - | 10,050 | 56,462 | 37,948 | 27,651 | 1.64 |
| Fertilizers | | | | | | | | |
| Engro Corporation Limited | 511,919 | 105,000 | - | 86,100 | 530,819 | 170,302 | 166,605 | 9.88 |
| Engro Fertilizer | 1,068,636 | 217,500 | - | 179,500 | 1,106,636 | 63,390 | 82,898 | 4.91 |
| Dawood Hercules Corporation Limited | 599,275 | 110,800 | - | 102,200 | 607,875 | 81,481 | 67,340 | 3.99 |
| Pharmaceuticals | | | | | | | | |
| GlaxoSmithKline Pakistan Limited | 91,534 | 20,700 | - | 112,234 | - | - | - | - |
| The Searle Company Limited | 109,563 | 156,563 | 21,582 | 151,713 | 135,995 | 54,133 | 46,170 | 2.74 |
| Chemicals | | | | | | | | |
| Engro Polymer and Chemicals Limited | - | 445,500 | - | 25,500 | 420,000 | 12,313 | 13,171 | 0.78 |
| Food And Personal Care Products | | | | | | | | |
| Engro Foods Limited | 135,511 | 155,800 | - | 150,811 | 140,500 | 12,521 | 12,513 | 0.74 |
| Treet Corporation Limited | - | 126,500 | - | 126,500 | - | - | - | - |
| Right Certificate | | | | | | | | |
| Engro Polymer and Chemicals Limited | - | - | 154,290 | - | 154,290 | - | 1,361 | 0.08 |
| Total as at June 30, 2018 | | | | | | 1,870,432 | 1,686,929 | 100 |
| Total as at June 30, 2017 | | | | | | 1,965,928 | 1,916,081 | - |

5.1.1 Investments include 682,000 shares of Pakistan Petroleum Limited with market value of Rs 146.56 million (2017: Rs 101.03 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

5.1.3 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the fund deposit tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitution 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, The Searle Company Limited (2017: The Searle Company Limited) issued bonus shares after withholding 5% shares on account of tax on bonus shares. These haven't been deposited by the Companies with the Government Treasury due to pending adjudication of the aforementioned Constitutional Petition and the stay order.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-----------|
| 5.2 Unrealised diminution on re-measurement of investments classified as 'Financial assets at fair value through profit or loss' | | | |
| Market value of investments | 5.1 | 1,686,929 | 1,916,081 |
| Carrying value of investments | 5.1 | 1,870,432 | 1,965,928 |
| | | (183,503) | (49,847) |
| 6. DEPOSITS AND OTHER RECEIVABLES | | | |
| Profit receivable on savings account | | 178 | 252 |
| Security deposit with the Central Depository Company of Pakistan Limited | | 103 | 103 |
| Security deposit with the National Clearing Company of Pakistan Limited | | 2,500 | 2,500 |
| | | 2,781 | 2,855 |
| 7. PRELIMINARY EXPENSES AND FLOATATION COSTS | | | |
| At the beginning of the year | | - | 361 |
| Preliminary expenses and floatation costs incurred | | - | - |
| Less: amortisation during the year | | - | 361 |
| At the end of the year | 7.1 | - | - |
| 7.1 Preliminary expenses and floatation costs represented expenditure incurred prior to the commencement of operations of the Fund. These costs were amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008. | | | |
| | Note | 2018 (Rupees in '000) | 2017 |
| 8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY | | | |
| Management fee payable | 8.1 | 1,422 | 1,715 |
| Sindh Sales Tax payable on remuneration of the Management Company | 8.2 | 185 | 223 |
| Allocated expenses payable | 8.3 | 142 | 172 |
| Sales load payable | | 48 | 58 |
| Sindh Sales Tax payable on sales load | | 6 | 8 |
| | | 1,803 | 2,176 |
| 8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 3% of the average annual net assets in case of Equity schemes. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2017: 1%) per annum of the average net assets of the Fund during the year ended 30 June 2018. The remuneration is payable to the Management Company monthly in arrears. | | | |

- 8.2** During the year, an amount of Rs. 2.254 million (2017: Rs 1.494 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 4.31 (2017: Rs. 3.386) has been paid to the Management Company which acts as a collecting agent.
- 8.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee fee payable | 9.1 | 204 | 233 |
| Sindh Sales Tax payable on trustee fee | 9.2 | 49 | 53 |
| | | 253 | 286 |

- 9.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1,000 million Rs 0.7 million or 0.2% per annum of net assets, whichever is higher.
- from Rs 1,000 million and above Rs 2.0 million plus 0.10% per annum of net assets exceeding Rs 1,000 million.

- 9.2** During the year, an amount of Rs 0.355 million (2017: Rs. 0.275 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.359 million (2017: Rs. 0.221 million) was paid to the Trustee which acts as a collecting agent.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, 2008, a collective investment scheme classified as a Equity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------------|
| 11. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 325 | 226 |
| Printing charges payable | | 77 | 93 |
| Rating fee payable | | - | 300 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on management fee | 11.1 | 5,404 | 5,404 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on sales load | | 429 | 429 |
| Brokerage payable | | 769 | 2,797 |
| Shariah advisor fee payable | | 269 | 266 |
| Charity payable | 11.2 | 1,117 | 1,339 |
| Withholding tax payable | | 323 | 11,567 |
| Provision for Sindh Workers' Welfare Fund | 11.3 | 9,270 | 9,270 |
| Zakat payable | | 23 | 21 |
| | | 18,006 | 31,712 |



- 11.1** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended 30 June 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 5.833 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.24 (2017: Re 0.24) per unit.

- 11.2** According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the year ended June 30, 2018, non-shariah compliant income amounting to Rs 1.68 million (2017: 0.84 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of the Shariah Advisor.

- 11.3** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.39 per unit (2017: Re 0.39 per unit).

12. CONTINGENCIES AND COMMITMENTS

12.1 There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

13. AUDITORS' REMUNERATION

| | 2018 | 2017 |
|---|------------------|------------|
| | (Rupees in '000) | |
| Annual audit fee | 202 | 125 |
| Half yearly review of condensed interim financial information | 101 | 100 |
| Fee for other certifications | 40 | 100 |
| Out of pocket expenses | 16 | 43 |
| | 359 | 368 |

14. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 1.76% which includes 0.25% representing government levies on the Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Equity scheme.

14. PERFORMANCE TABLE

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------------|-------------|-------------|-------------|-------------|
| Net assets (Rs in '000) (ex-distribution) | 1,687,480 | 1,908,874 | 881,629 | 1,159,323 | 1,176,027 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution) | 70.6581 | 79.56 | 78.91 | 71.7 | 62.83 |
| Offer price per unit as at June 30 (Rs.) (ex-distribution) | 72.4316 | 81.36 | 81 | 73.79 | 64.68 |
| Highest offer price per unit (Rs.) | 66.4 | 109.77 | 85.05 | 77.64 | 79.69 |
| Lowest offer price per unit (Rs.) | 83.95 | 80.6 | 65.44 | 61.18 | 59.09 |
| Highest redemption price per unit (Rs.) | 82.0908 | 107.34 | 82.86 | 75.44 | 77.41 |
| Lowest redemption price per unit (Rs.) | 64.767 | 78.82 | 63.75 | 59.45 | 57.4 |
| Distribution (%) | - | 24 | 4.7 | 3.7 | 19.6 |
| Date of distribution | - | 23-Jun-2017 | 24-Jun-2016 | 03-Jul-2015 | 30-May-2014 |
| Growth distribution (Rupees in '000) | - | 270893 | 24604 | - | 123028 |
| Total return (%) | -11.19 | 16.03 | 13 | 17.1 | 26.5 |
| | One Year | Two Years | Three Years | Four Years | Five Years |
| Average annual return (%) as at June 30, 2018 | -11.19 | 1.51 | 5.21 | 8.06 | 11.52 |

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 19.

16. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year.



The Fund is also exempt from the provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in Finance Act, 2015 is also not applicable on Funds as per Income Tax Ordinance, 2001.

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 17.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 17.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 17.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 17.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

| | 2018 | 2017 |
|---|------------------|---------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Limited (Management Company) | | |
| Transactions during the year | | |
| Remuneration charged | 17,339 | 11,490 |
| Sindh sales Tax on remuneration of the Management Company | 2,254 | 1,494 |
| Federal Excise Duty on remuneration of the Management Company | - | - |
| Allocated expenses | 1,734 | 1,149 |
| Issue of 309,662 units (2017: 466,219) units | 22,500 | 41,592 |
| Redemption of nil (2017: 63,382) units | - | 5,000 |
| Cash dividend | - | 41,592 |
| Balances | | |
| Remuneration Payable | 1,422 | 1,715 |
| Sindh Sales Tax on management fee | 185 | 223 |
| Sales load payable | 48 | 58 |
| Sindh Sales Tax on sales load | 6 | 8 |
| Allocated expenses payable | 142 | 172 |
| Outstanding 4,241,874 (2017: 3,932,212) units - at net asset value | 299,723 | 312,847 |
| Central Depository Company of Pakistan Limited (CDC) - Trustee | | |
| Transactions during the year | | |
| Remuneration of the Trustee | 2,731 | 2,112 |
| Sindh sales Tax on remuneration of the Trustee | 355 | 275 |
| CDS charges | 106 | 90 |

| | 2018 | 2017 |
|---|------------------|---------|
| | (Rupees in '000) | |
| Balances | | |
| Trustee fee payable | 204 | 233 |
| Sindh Sales Tax on Trustee fee payable | 49 | 53 |
| Deposit | 103 | 103 |
| Meezan Bank Limited | | |
| Transactions during the year | | |
| Profit on saving account | 67 | 98 |
| Balances | | |
| Bank balance | 1,744 | 4,178 |
| Profit receivable on saving accounts | 25 | - |
| Sales load payable | 43 | 47 |
| Sindh Sales Tax on sales load payable | 6 | 5 |
| Outstanding 2,113,224 units (2017: 2,113,224 units) - at net asset value | 149,316 | 168,128 |
| Meezan Financial Planning Fund of Funds - MAAP I | | |
| Cash dividend paid | - | 3,636 |
| Transaction cost received | - | 75 |
| Issue of 911,030 (2017: 348,329) | 64,736 | 33,636 |
| Redemption of 1,259,360 units (2017: nil) | 91,118 | - |
| Outstanding nil: (2017:348,329) units - at net asset value | - | 27,713 |
| Directors and their close family members and key management | | |
| personnel of the Management Company | | |
| Issue of 4,933 units (2017: 61,094 units) | 365 | 5,559 |
| Redemption of 369,419 units (2017: 109,314 units) | 26,367 | 10,154 |
| Cash dividend | - | 4,066 |
| Outstanding 19,890 (2017: 384,376) units - at net asset value | 1,405 | 30,581 |
| Unitholder holding 10% or more units of the Fund | | |
| Investment as at June 30, 2018: 9,725,888 units (June 30, 2017: 9,725,888 units) | 687,213 | 773,792 |

17.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

18. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | |
|--|--------------------------|--|------------------------|-----------|
| | Loans and receivables | At fair value through profit or loss | Available- for-sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 19,141 | - | - | 19,141 |
| Investments | - | 1,686,929 | - | 1,686,929 |
| Receivable against conversion of units | 654 | - | - | 654 |
| Dividend receivable | - | 62 | - | 62 |
| Deposits and other receivables | 2,781 | - | - | 2,781 |
| | 22,576 | 1,686,991 | - | 1,709,567 |





| | 2018 | | |
|---|--------------------------------------|-------------------|-------|
| | At fair value through profit or loss | At amortised cost | Total |
| Rupees in '000 | | | |
| Financial liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | - | 1,803 | 1,803 |
| Payable to the Central Depository Company Limited - Trustee | - | 253 | 253 |
| Payable to Meezan Bank Limited | - | 43 | 43 |
| Payable against conversion and redemption of units | - | 69 | 69 |
| Payable against purchase of investments | - | 266 | 266 |
| Accrued expenses and other liabilities | - | 2,580 | 2,580 |
| | - | 5,014 | 5,014 |

| | 2017 | | | |
|--|-----------------------|--------------------------------------|--------------------|-----------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| Rupees in '000 | | | | |
| Financial assets | | | | |
| Balances with banks | 10,585 | - | - | 10,585 |
| Investments | - | 1,916,081 | - | 1,916,081 |
| Receivable against sale of investments | 845 | - | - | 845 |
| Receivable against conversion of units | 155,028 | - | - | 155,028 |
| Dividend receivable | - | 6,944 | - | 6,944 |
| Deposits and other receivables | 2,855 | - | - | 2,855 |
| | 169,313 | 1,923,025 | - | 2,092,338 |

| | 2017 | | |
|---|--------------------------------------|-------------------|---------|
| | At fair value through profit or loss | At amortised cost | Total |
| Rupees in '000 | | | |
| Financial liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | - | 2,176 | 2,176 |
| Payable to the Central Depository Company Limited - Trustee | - | 286 | 286 |
| Payable against conversion and redemption of units | - | 1,725 | 1,725 |
| Payable to Meezan Bank Limited | - | 47 | 47 |
| Dividend payable | - | 146,426 | 146,426 |
| Accrued expenses and other liabilities | - | 5,042 | 5,042 |
| | - | 155,702 | 155,702 |

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

19.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

(i) Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

During the year ended June 30, 2018, the net income would have increased / (decreased) by Rs. 0.002 million (2017: Rs. 0.003 million) had the profit rates on profit and loss saving accounts increased / (decreased) by 100 basis points.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Yield / profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | Effective yield / interest rate (%) | 2018 | | | Total |
|---|-------------------------------------|---------------------------------------|---|--------------------|-----------|
| | | 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 assets | | | | | |
| Balances with banks | 2.00% to 2.40% | 18,559 | - | - | 19,141 |
| Investments | | - | - | 1,686,929 | 1,686,929 |
| Receivable against conversion of units | | - | - | 654 | 654 |
| Dividend receivable | | - | - | 62 | 62 |
| Deposits and other receivables | | - | - | 2,781 | 2,781 |
| | | 18,559 | - | 1,691,008 | 1,709,567 |
| Financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | - | 1,803 | 1,803 |
| Payable to the Central Depository Company Limited - Trustee | | - | - | 253 | 253 |
| Payable to Meezan Bank Limited | | - | - | 43 | 43 |
| Payable against conversion and redemption of units | | - | - | 69 | 69 |
| Payable against purchase of investments | | - | - | 266 | 266 |
| Accrued expenses and other liabilities | | - | - | 2,580 | 2,580 |
| | | - | - | 5,014 | 5,014 |
| On-balance sheet gap (a) | | 18,559 | - | - | 1,704,553 |
| Off-balance sheet financial instruments | | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 18,559 | - | - | - |
| Cumulative profit rate sensitivity gap | | 18,559 | 18,559 | 18,559 | - |



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) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.00% to 2.40% | 9,115 | - | - | 1,470 | 10,585 |
| Investments | | | | | 1,916,081 | 1,916,081 |
| Receivable against sale of investments | | - | - | - | 155,028 | 155,028 |
| Receivable against conversion of units | | | | | 845 | 845 |
| Dividend receivable | | | | | 6,944 | 6,944 |
| Deposits and other receivables | | | | | 2,855 | 2,855 |
| | | 9,115 | - | - | 2,083,223 | 2,092,338 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | | | | 2,176 | 2,176 |
| Payable to the Central Depository Company Limited Trustee | | | | | 286 | 286 |
| Payable to Meezan Bank Limited | | | | | 47 | 47 |
| Payable against conversion and redemption of units | | | | | 1,725 | 1,725 |
| Dividend payable | | | | | 146,426 | 146,426 |
| Accrued expenses and other liabilities | | | | | 5,042 | 5,042 |
| | | - | - | - | 155,702 | 155,702 |
| On-balance sheet gap (a) | | 9,115 | | | 1,927,521 | 1,936,636 |
| Off-balance sheet financial instruments | | | | | | |
| Off-balance sheet gap (b) | | | | | | |
| Total profit rate sensitivity gap (a+b) | | 9,115 | | | | |
| Cumulative profit rate sensitivity gap | | 9,115 | 9,115 | 9,115 | | |

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks.

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2018, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 16.869 million (2017: Rs. 19.161 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI-30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

19.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:



KSE-Meezan Index Fund

2018

| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
|---|----------------|---|--|--|-------------------|--|-----------|
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 19,141 | - | - | - | - | - | 19,141 |
| Investments | - | - | - | - | - | 1,686,929 | 1,686,929 |
| Receivable against conversion of units | 654 | - | - | - | - | - | 654 |
| Dividend receivable | 62 | - | - | - | - | - | 62 |
| Deposits and other receivables | 178 | - | - | - | - | 2,603 | 2,781 |
| | 20,035 | - | - | - | - | 1,689,532 | 1,709,567 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 1,803 | - | - | - | - | - | 1,803 |
| Payable to Central Depository Company Limited - Trustee | 253 | - | - | - | - | - | 253 |
| Payable to Meezan Bank Limited | 43 | - | - | - | - | - | 43 |
| Payable against conversion and redemption of units | 69 | - | - | - | - | - | 69 |
| Payable against purchase of investments | 266 | - | - | - | - | - | 266 |
| Accrued expenses and other liabilities | 2,580 | - | - | - | - | - | 2,580 |
| | 5,014 | - | - | - | - | - | 5,014 |
| Net assets / (liabilities) | 15,021 | - | - | - | - | 1,689,532 | 1,704,553 |

2017

| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
|---|----------------|---|--|--|-------------------|--|-----------|
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 10,585 | - | - | - | - | - | 10,585 |
| Investments | - | - | - | - | - | 1,916,081 | 1,916,081 |
| Receivable against sale of investments | 155,028 | - | - | - | - | - | 155,028 |
| Receivable against conversion of units | 845 | - | - | - | - | - | 845 |
| Dividend receivable | 6,944 | - | - | - | - | - | 6,944 |
| Deposits and other receivables | 252 | - | - | - | - | 2,603 | 2,855 |
| | 173,654 | - | - | - | - | 1,918,684 | 2,092,338 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 2,176 | - | - | - | - | - | 2,176 |
| Payable to Central Depository Company Limited - Trustee | 286 | - | - | - | - | - | 286 |
| Payable to Meezan Bank Limited | 47 | - | - | - | - | - | 47 |
| Payable against conversion and redemption of units | 1,725 | - | - | - | - | - | 1,725 |
| Dividend payable | 146,426 | - | - | - | - | - | 146,426 |
| Accrued expenses and other liabilities | 5,042 | - | - | - | - | - | 5,042 |
| | 155,702 | - | - | - | - | - | 155,702 |
| Net assets / (liabilities) | 17,952 | - | - | - | - | 1,918,684 | 1,936,636 |

19.3 Credit risk

19.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| | (Rupees in '000) | | | |
| Balances with banks | 19,141 | 19,141 | 10,585 | 10,585 |
| Investments | 1,686,929 | - | 1,916,081 | - |
| Receivable against conversion of units | 654 | 654 | 845 | 845 |
| Dividend receivables | 62 | 62 | 6,944 | 6,944 |
| Deposits and other receivables | 2,781 | 2,781 | 2,855 | 2,855 |
| | <u>1,709,567</u> | <u>22,638</u> | <u>1,937,310</u> | <u>21,229</u> |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

19.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, cheques in hand, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|--|---------------|
| | 2018 | 2017 |
| AAA | 0.05 | 0.10 |
| AA+ | 99.87 | 70.07 |
| AA | - | 29.67 |
| AA- | 0.08 | - |
| A+ | - | 0.16 |
| | <u>100.00</u> | <u>100.00</u> |

20. FAIR VALUE MEASUREMENT

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

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





Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | | 2018 | | |
|--------------------------------------|--|------------------|----------|----------|
| | | Level 1 | Level 2 | Level 3 |
| | | Rupees in '000 | | |
| Financial assets | | | | |
| At fair value through profit or loss | | 1,686,929 | - | - |
| | | 1,686,929 | - | - |
| | | 2017 | | |
| | | Level 1 | Level 2 | Level 3 |
| | | Rupees in '000 | | |
| Financial assets | | | | |
| At fair value through profit or loss | | 1,916,081 | - | - |
| | | 1,916,081 | - | - |

21. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

22. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|----------------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 912 | 317,520 | 18.82 | 672 | 326,737 | 17.12 |
| Associated Companies / Directors | 3 | 449,039 | 26.60 | 3 | 369,730 | 19.37 |
| Retirement Funds | 11 | 100,171 | 5.94 | 12 | 106,118 | 5.56 |
| Others | 5 | 820,750 | 48.64 | 9 | 1,106,289 | 57.95 |
| | 931 | 1,687,480 | 100.00 | 696 | 1,908,874 | 100.00 |

23. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|--|-------------------------------|--|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| Topline Securities private Limited | 8.66 | Taurus Securities Limited | 11.45 |
| Optimus Capital Management Limited | 6.74 | Elixir Securities Pakistan (Private) Limited | 10.24 |
| Insight Securities private Limited | 7.49 | BIPL Securities Limited | 8.79 |
| Taurus Securities Limited | 6.10 | (formerly KASB Securities Limited) | |
| Aba Ali Habib Securities (Private) Limited | 5.56 | Optimus Capital Management Limited | 8.29 |
| Vector Capital private Limited | 6.10 | Alfalah Securities (Private) Limited | 7.36 |
| Al Habib Capital market (Private) Limited | 5.99 | Aba Ali Habib Securities (Private) Limited | 7.34 |
| BMA Capital management Limited | 5.45 | Invest & Finance Securities Limited | 6.61 |
| BIPL Securities Limited | | AKD Securities Limited | 6.54 |
| (formerly KASB Securities Limited) | 5.13 | NEXT Capital Limited | 6.10 |
| Alfalah Securities (Private) Limited | 5.35 | Arif Habib Securities Limited | 6.05 |

24. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

The Fund manager of the Fund is Mr. Asif Imtiaz. Other funds being managed by the Fund manager are as follows :

- Meezan Balanced Fund
- Meezan Financial Planning Fund of Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund-II ;and
- Meezan Dedicated Equity Fund



25. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | | | | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | |
| Ms. Saima Kamila Khan ** | Director | | | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | | | |
| Mazhar Sharif *** | Director | Yes | Yes | | | |
| Mr. Naeem Sattar *** | Director | | | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

26. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

28. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**





Meezan Energy Fund

MEEZAN ENERGY FUND (MEF)

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

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoab, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director - MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director - MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director - MBL |
| Mr. Naeem Abdul Sattar | Nominee Director - PKIC |
| Syed Amir Ali Zaidi | Nominee Director - PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | 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

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Allied Bank Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Faysal Bank Limited - Islamic Banking

Habib Metropolitan Bank - Islamic Banking
Meezan Bank Limited

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Sector specific open end equity fund. The fund was launched on November 29, 2016.

Objective

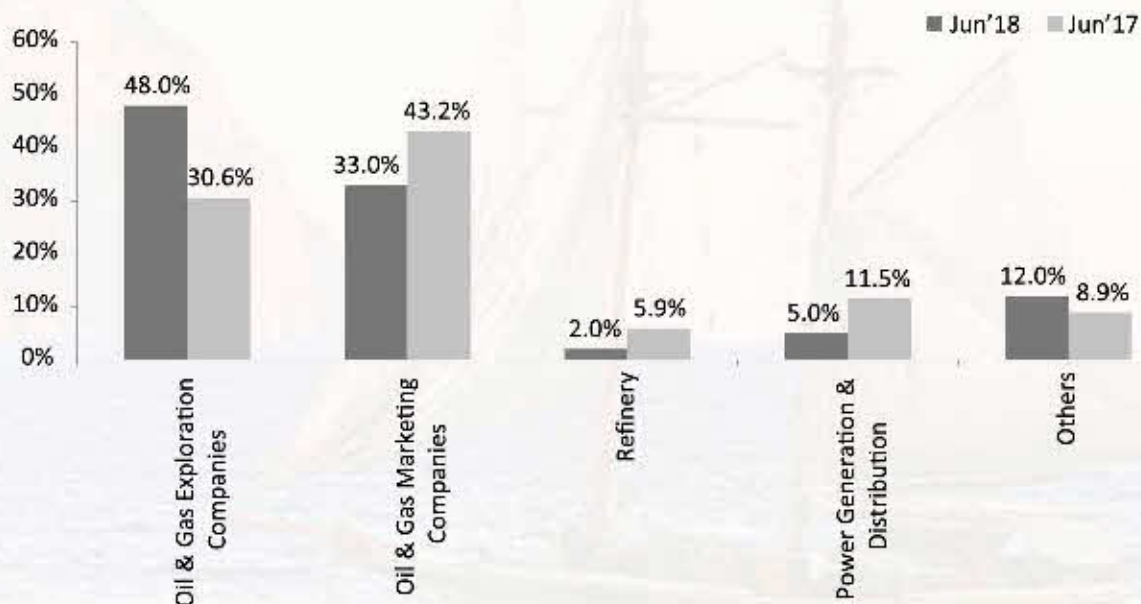
The objective of MEF is to seek long term capital appreciation through investments in Shariah compliant equity stocks, primarily from the energy sector/segment/industry as defined in the constitutive documents, and provide maximum total return to the shareholders for the given level of risk, while abiding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

Strategy, Investment Policy and Asset Allocation

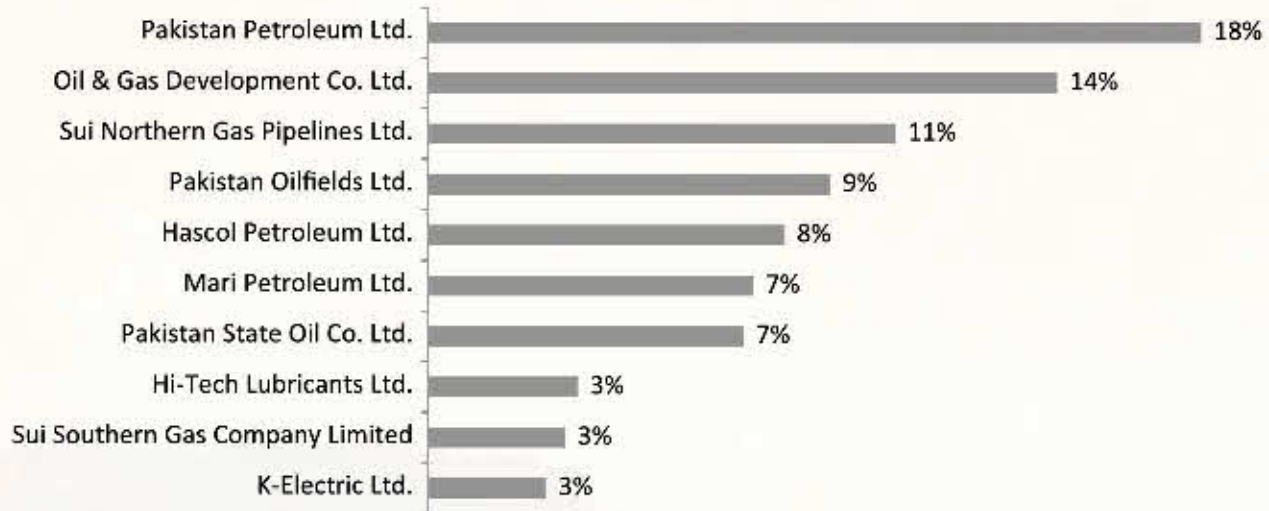
The performance of MEF is directly linked to the performance of the energy sector of the equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth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

During the year, MEF investment exposure touched a maximum of 96% and minimum of 81%, on average remaining 91% invested and closing the year at 89% invested percentage.

Sector Allocation for the year ended FY17 and FY18



Top Holdings



Performance Review

During FY18, Meezan Energy Fund (MEF) provided a return of negative 0.89% to its investors while the KSE Meezan Index (KMI 30) depreciated by 9.59% to close at 71,060 pts.

The Fund earned a gross income of Rs. 22 million in fiscal year 2018. Total income comprised of unrealized gains on investments of Rs. 25 million. Dividend income contributed Rs. 70 million to income, while profit on saving accounts with banks amounted to Rs. 4 million. Realized loss on investments was Rs. 77 million. After accounting for expenses of Rs. 51 million, the Fund posted a net loss of Rs. 29 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,637 million as compared to Rs. 1,139 million at the end of last year depicting a rise of 43.72%. The net asset value per unit as at June 30, 2018 was Rs. 49.78 as compared to Rs. 50.23 per unit as on June 30, 2017.

| | MEF | KMI-30 |
|---|--------|--------|
| Net Asset Value (NAV) as on June 30, 2017 - Rs. | 50.23 | 78,598 |
| Net Asset Value (NAV) as on June 30, 2018 - Rs. | 49.78 | 71,060 |
| Return During the Period | -0.89% | -9.59% |

Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable / welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2018 an amount of Rs. 1.51 million was accrued as charity payable.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.



Summary of Actual Proxy Voted By the Fund

| | Resolutions | For | Against | Abstain |
|------------|--------------------|------------|----------------|----------------|
| Number | 3 | 3 | - | - |
| Percentage | 100% | 100% | - | - |

The proxy voting policy of Al Meezan Investment Management Limited, duly approved by Board of Directors of the Management Company, is available on the website www.almeezangroup.com. A detailed information regarding actual proxies voted by the Management Company in respect of funds is also available without charge, upon request, to all unit holders.

Breakdown of unit holdings by size:

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|----------------------|-------------------------|
| 1 - 9,999 | 1,225 |
| 10,000 - 49,999 | 257 |
| 50,000 - 99,999 | 37 |
| 100,000 - 499,999 | 16 |
| 500,000 and above | 7 |
| Total | 1,542 |



Meezan Bank
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

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 MELI' in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MELI' as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 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) |
| Pakistan Petroleum Ltd. | Oil & Gas Exploration Companies | 0.06% | 20.86% | 3.79% | 43% | 39.29 | 205.91 |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| Sui Northern Gas Company | Oil & Gas Marketing Companies | 17.06% | 0.00% | 1.01% | 51% | (297.62) | |
| Pakistan Oil Fields | Oil & Gas Exploration Companies | 0.00% | 0.01% | 2.00% | 72% | (40.74) | |

Page 1 of 2





| | (i) | (ii)** | (iii) | (iv) | (v) | (vi) | |
|----------------------|---------------------------------|--------|--------|-------|-----|----------|--|
| Hascol Petroleum Ltd | Oil and Gas Marketing Companies | 8.05% | 0.00% | 0.11% | 59% | (164.85) | |
| Mari Petroleum Ltd | Oil & Gas Exploration Companies | 6.30% | 13.35% | 0.63% | 43% | (140.91) | |

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

** All interest based debts.

ii. On the basis of information provided by the management, all operations of MEF for the year ended June 30, 2018 have been in compliance with the *Shari'ah* principles.

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

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
Shari'ah Advisor

**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 UNIT HOLDERS

MEEZAN ENERGY FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Energy Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Energy Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Energy Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|--|
| 1 | Amendments to NBFC Regulations, 2008 | |
| | <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(1)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the</p> |

All in

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|--|
| | <p>accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | <p>applicable accounting and reporting framework.</p> |
| 2 | <p>Net Asset Value</p> | |
| | <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 1.44 billion and balances with banks aggregated to Rs 0.20 billion.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

M. W.





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Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ALL





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We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the period from November 30, 2016 to June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


Chartered Accountants
Karachi

Date: September 19, 2018





STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-------------------|
| Assets | | | |
| Balances with banks | 4 | 195,027 | 91,575 |
| Investments | 5 | 1,441,891 | 1,059,994 |
| Receivable against conversion of units | | 12,736 | 5,326 |
| Dividend receivable | | 3,697 | 3,192 |
| Advances, deposits and other receivables | 6 | 2,073 | 2,022 |
| Preliminary expenses and floatation costs | 7 | 683 | 883 |
| Total assets | | 1,656,107 | 1,162,992 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 8 | 8,016 | 4,785 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 9 | 244 | 203 |
| Payable to the Securities and Exchange Commission of Pakistan | 10 | 1,432 | 514 |
| Payable against conversion and redemption of units | | 3,885 | 2,598 |
| Payable to Meezan Bank Limited | | 52 | 920 |
| Payable against purchase of investments | | 2,314 | 116 |
| Dividend payable | | - | 4,028 |
| Accrued expenses and other liabilities | 11 | 3,591 | 10,564 |
| Total liabilities | | 19,534 | 23,728 |
| NET ASSETS | | 1,636,573 | 1,139,264 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 1,636,573 | 1,139,264 |
| CONTINGENCIES AND COMMITMENTS | 12 | | |
| NUMBER OF UNITS IN ISSUE | | 32,874,573 | 22,680,163 |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | | 49.7823 | 50.2300 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

For AI Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

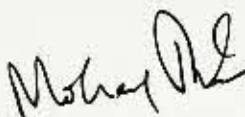
INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

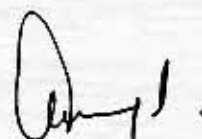
| | | For the period from November 30, 2016 to June 30, 2017 | |
|---|------|---|----------------|
| | Note | 2018 (Rupees in '000) | |
| Income | | | |
| Dividend income | | 69,812 | 12,035 |
| Profit on balances with banks | | 3,970 | 2,659 |
| (Loss) / gain on sale of investments - net | | (76,865) | 19,883 |
| | | (3,083) | 34,577 |
| Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.2 | 24,737 | (15,986) |
| Total income | | 21,654 | 18,591 |
| Expenses | | | |
| Remuneration of Al Meezan Investment Management Limited - Management Company | 8.1 | 30,138 | 10,825 |
| Sindh Sales Tax on remuneration of the Management Company | 8.2 | 3,918 | 1,407 |
| Allocated expenses | 8.3 | 1,507 | 541 |
| Selling and marketing expenses | 8.4 | 6,028 | 1,509 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 9.1 | 2,506 | 1,034 |
| Sindh Sales Tax on remuneration of the Trustee | 9.2 | 326 | 135 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 10 | 1,432 | 514 |
| Brokerage expense | | 1,869 | 1,850 |
| Auditors' remuneration | 13 | 313 | 253 |
| Amortisation of preliminary expenses and floatation cost | 7 | 200 | 117 |
| Fees and subscription | | 564 | 527 |
| Charity expense | 11.1 | 1,513 | 280 |
| Printing expense | | 51 | 4 |
| Legal and professional charges | | 58 | - |
| Bank and settlement charges | | 694 | 214 |
| Provision for Sindh Workers' Welfare Fund | 11.2 | - | 1,527 |
| Total expenses | | 51,117 | 20,737 |
| Net loss from operating activities | | (29,463) | (2,146) |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | 3.10 | - | 76,960 |
| Net (loss) / income for the year / period before taxation | | (29,463) | 74,814 |
| Taxation | 16 | - | - |
| Net (loss) / income for the year / period after taxation | | (29,463) | 74,814 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | - | - |
| Income already paid on units redeemed | | - | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | - | - |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

For the period
from November
30, 2016 to
June 30, 2017
2018
(Rupees in '000)

Net (loss) / income for the year / period after taxation

(29,463) 74,814

Other comprehensive income for the year / period

- -

Total comprehensive (loss) / income for the year / period

(29,463) 74,814

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

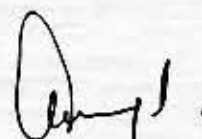
| | 2018 | | |
|--|------------------|-------------------------------|---------------------------------|
| | Capital Value | Undistributed income / (loss) | Total |
| | (Rupees in '000) | | |
| Net assets at beginning of the year | 1,134,009 | 5,255 | 1,139,264 |
| Issue of 41,452,434 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 2,082,156 | - | 2,082,156 |
| - Element of income | (1,483) | - | (1,483) |
| Total proceeds on issuance of units | 2,080,673 | - | 2,080,673 |
| Redemption of 31,258,024 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 1,570,091 | - | 1,570,091 |
| - Element of income | (16,190) | - | (16,190) |
| Total payments on redemption of units | 1,553,901 | - | 1,553,901 |
| Total comprehensive loss for the year | - | (29,463) | (29,463) |
| Distribution during the year | - | - | - |
| Net loss for the year less distribution | - | (29,463) | (29,463) |
| Net assets at end of the year | 1,660,781 | (24,208) | 1,636,573 |
| Undistributed income carried forward | | | |
| - Realised loss | | (48,945) | |
| - Unrealised income | | 24,737 | |
| | | (24,208) | |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | |
| - Excluding capital gains | | - | |
| | | - | |
| Net assets value per unit at beginning of the year | | | (Rupees) 50.2300 |
| Net assets value per unit at end of the year | | | 49.7823 |
| | | | June 30, 2017 Rupees in '000 |
| Net assets at beginning of the period | | | - |
| Issue of 46,581,016 units | | | 2,560,650 |
| Redemption of 23,900,853 units | | | (1,349,681) |
| | | | 1,210,969 |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | | | (76,960) |
| Gain on sale of investments - net | | | 19,883 |
| Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | | | (15,986) |
| Other income for the period | | | 70,917 |
| Total comprehensive income for the period | | | 74,814 |
| Interim distribution for the year ended June 30, 2017 cash dividend @ 6.50% i.e. Rs. 3.25 per unit | | | (69,559) |
| Net income for the year less distribution | | | 5,255 |
| Net assets at end of the period | | | 1,139,264 |
| Represented by: | | | |
| Capital value | | | 1,134,009 |
| Undistributed income carried forward | | | |
| - Realised | | 21,241 | |
| - Unrealised | | (15,986) | |
| | | | 1,139,264 |
| | | | (Rupees) |
| Net assets value per unit at beginning of the period | | | - |
| Net assets value per unit at end of the period | | | 50.2300 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**





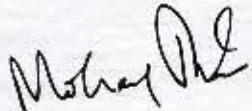
CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

| | | For the period from November 30, 2016 to June 30, 2017 |
|--|-------------|---|
| | 2018 | (Rupees in '000) |
| Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the year / period before taxation | (29,463) | 74,814 |
| Adjustments for | | |
| Amortisation of preliminary expenses and floatation costs | 200 | 117 |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | - | (76,960) |
| Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | (24,737) | 15,986 |
| | (54,000) | 13,957 |
| Decrease / (increase) in assets | | |
| Investments - net | (357,160) | (1,075,980) |
| Dividend receivable | (505) | (3,192) |
| Advances, deposits and other receivables | (51) | (3,022) |
| | (357,716) | (1,082,194) |
| Increase / (decrease) in liabilities | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 3,231 | 4,785 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 41 | 203 |
| Payable to Securities and Exchange Commission of Pakistan | 918 | 514 |
| Payable against purchase of investments | 2,198 | 116 |
| Payable to Meezan Bank Limited | (868) | 920 |
| Accrued expenses and other liabilities | (6,973) | 10,564 |
| | (1,453) | 17,102 |
| Net cash used in operating activities | (413,169) | (1,051,135) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts against issuance and conversion of units | 2,073,263 | 2,555,324 |
| Payment against redemption and conversion of units | (1,552,614) | (1,347,083) |
| Dividend paid | (4,028) | (65,531) |
| Net cash generated from financing activities | 516,621 | 1,142,710 |
| Net increase in cash and cash equivalents during the year / period | 103,452 | 91,575 |
| Cash and cash equivalents at beginning of the year / period | 91,575 | - |
| Cash and cash equivalents at end of the year / period | 195,027 | 91,575 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Energy Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was executed on September 09, 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shariah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an Open Ended Shariah Compliant (Islamic) Equity Scheme in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan.
- 1.3** The objective of the Fund is to seek long term capital appreciation which the Fund aims to deliver mainly by investing in Shariah compliant equity stocks, primarily from the energy sector / segment / industry that may be allowed by the SECP. The investment objectives and policies are explained in the Fund's Offering document.
- 1.4** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company.
- 1.5** The title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.





2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the approved accounting standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|--|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.15 and 16)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value to profit or loss' are measured at their respective fair values.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Funds' functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the changes in accounting policies as explained in notes 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.





Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on equity securities

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

3.9 Distributions to unitholders

Distributions to the unitholders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning



of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unitholders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unitholders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unitholders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unitholder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unitholders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 14.707 million in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unitholders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unitholders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unitholders' Fund which have been incorporated in these statements.

3.11 During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

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

- 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.
- Profit on balances with banks is recognised on time proportion basis using the effective yield method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund.

3.15 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

Deferred

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

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

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

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

3.17 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.



3.18 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

| | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|-------------------------------|------|--------------------------|--------------------------|
| 4. BALANCES WITH BANKS | | | |
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 191,184 | 90,787 |
| Current account | | 3,843 | 788 |
| | | <u>195,027</u> | <u>91,575</u> |

4.1 The balances in saving accounts have expected profit rates ranging from 2% to 6.60% per annum (2017: 2% to 2.4% per annum).

| | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|--|------|--------------------------|--------------------------|
| 5. INVESTMENTS | | | |
| Investment at 'fair value through profit or loss' | | | |
| Listed equity securities | 5.1 | 1,441,891 | 1,059,994 |

5.1 Investment at 'fair value through profit or loss'

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

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|--|-------------------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | ----- (Number of shares held) ----- | | | | | (Rupees in '000) | | % |
| SECTORS / COMPANIES | | | | | | | | |
| Oil and gas exploration companies | | | | | | | | |
| Marl Petroleum Company Limited | 61,550 | 46,220 | - | 27,220 | 80,550 | 123,535 | 121,323 | 8.41% |
| Oil & Gas Development Company Limited | 1,043,000 | 776,100 | - | 310,000 | 1,509,100 | 221,526 | 234,846 | 16.29% |
| Pakistan Oilfields Limited | 155,000 | 88,400 | - | 20,000 | 223,400 | 108,062 | 150,078 | 10.41% |
| Pakistan Petroleum Limited | 277,000 | 1,066,100 | - | - | 1,343,100 | 227,608 | 288,632 | 20.02% |
| Oil and gas marketing companies | | | | | | | | |
| Attock Petroleum Limited | 5,000 | 5,000 | - | - | 10,000 | 6,177 | 5,900 | 0.41% |
| Hascal Petroleum Limited | 368,600 | 243,220 | - | 187,900 | 423,920 | 124,823 | 133,009 | 9.22% |
| Hi-Tech Lubricants Limited | 600,200 | - | - | 50,000 | 550,200 | 59,979 | 55,746 | 3.87% |
| Pakistan State Oil Company Limited | 85,000 | 373,000 | 81,000 | 169,300 | 369,700 | 130,679 | 117,679 | 8.16% |
| Shell Pakistan Limited | 68,000 | - | - | 68,000 | - | - | - | - |
| Sui Northern Gas Pipelines | 1,176,000 | 2,256,400 | - | 1,692,100 | 1,740,300 | 215,982 | 174,413 | 12.10% |
| Sui Southern Gas Company Limited | 1,672,000 | 3,977,000 | - | 4,092,000 | 1,557,000 | 56,165 | 51,101 | 3.54% |
| Power generation and distribution | | | | | | | | |
| K-Electric Limited | 12,716,500 | 1,250,000 | - | 6,238,500 | 7,728,000 | 52,852 | 43,895 | 3.04% |
| Hub Power Company Limited | 389,000 | 100,000 | - | 129,000 | 360,000 | 40,372 | 33,178 | 2.30% |
| Refinery | | | | | | | | |
| Attock Refinery Limited | 122,000 | 75,000 | - | 196,100 | 900 | 325 | 194 | 0.01% |
| National Refinery Limited | 30,000 | 53,000 | - | 11,000 | 72,000 | 49,069 | 31,897 | 2.21% |
| Total as at June 30, 2018 | | | | | | 1,417,154 | 1,441,891 | |
| Total as at June 30, 2017 | | | | | | 1,075,980 | 1,059,994 | |

- 5.1.1** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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, Pakistan State Oil Company Limited has issued bonus shares after withholding 5% shares on account of tax on bonus shares. The shares withheld haven't been deposited by the respective Companies with the Government Treasury due to the pending adjudication of the aforementioned Constitutional Petition and the related stay order in this regard.

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|--------------|
| 5.2 Unrealised appreciation / (diminution) on re-measurement of investments classified as Financial assets at fair value through profit or loss | | | |
| Market value of investments | 5.1 | 1,441,891 | 1,059,994 |
| Carrying value of investments | 5.1 | 1,417,154 | 1,075,980 |
| | | 24,737 | (15,986) |
| 6. ADVANCES, DEPOSITS AND OTHER RECEIVABLES | | | |
| Profit accrued on balances with banks | | 537 | 643 |
| Security deposit with Central Depository Company of Pakistan Limited | | 100 | 100 |
| Advance tax | 6.1 | 1,436 | 1,279 |
| | | 2,073 | 2,022 |

- 6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2018, withholding tax on dividend paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends and profit on debt amounts to Rs 1.436 million.

Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted has been shown as other receivables as at June 30, 2018. In the opinion of the management, the amount of tax deducted at source will be refunded as the Fund has already claimed refunds against the tax so withheld, through filing of annual tax return.



| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-------|
| 7. PRELIMINARY EXPENSES AND FLOATATION COSTS | | | |
| At the beginning of the year / period | | 883 | 1,000 |
| Less: Amortisation during the year / period | 7.1 | 200 | 117 |
| At the end of the year / period | | 683 | 883 |

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation.

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-------|
| 8. PAYABLE TO AI MEEZAN MANAGEMENT LIMITED - MANAGEMENT COMPANY | | | |
| Management fee payable | 8.1 | 2,670 | 1,950 |
| Sindh Sales Tax payable on remuneration of the Management Company | 8.2 | 347 | 254 |
| Sales load | | 538 | 862 |
| Sindh Sales Tax payable on sales load | | 70 | 112 |
| Allocated expense payable | 8.3 | 133 | 98 |
| Selling and marketing expenses payable | 8.4 | 4,258 | 1,509 |
| | | 8,016 | 4,785 |

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of an equity scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2017: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2018. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 3.918 million (2017: Rs 1.407 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 3.825 million (2017: Rs.1.153 million) has been paid to the Management Company which acts as a collecting agent.

8.3 The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

8.4 The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund during the year ended June 30, 2018 at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE | | | |
| Trustee fee payable | 9.1 | 216 | 180 |
| Sindh Sales Tax payable on trustee fee | 9.2 | 28 | 23 |
| | | 244 | 203 |

9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- Up to Rs 1,000 million Rs 0.7 million or 0.20% per annum of net assets, whichever is higher.
- Over Rs. 1,000 million Rs 2 million plus 0.10% per annum of net assets exceeding Rs 1,000 million.

9.2 During the year, an amount of Rs 0.326 million (2017: Rs. 0.135 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.321 million (2017: Rs.0.112 million) was paid to the Trustee which acts as a collecting agent.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a collective investment scheme classified as a equity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------------|
| 11. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 245 | 155 |
| Printing charges payable | | 21 | - |
| Shariah advisor fee payable | | 267 | 267 |
| Charity payable | 11.1 | 1,492 | 280 |
| Withholding tax payable | | - | 8,335 |
| Capital gain tax payable | | 25 | - |
| Provision for Sindh Workers' Welfare Fund | 11.2 | 1,527 | 1,527 |
| Zakat and other payables | | 14 | - |
| | | 3,591 | 10,564 |

11.1 According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the year ended June 30, 2018, non-Shariah compliant income amounting to Rs 1.513 million (2017: Rs 0.280 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of the Shariah Advisor.

11.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh



Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from November 30, 2016 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re 0.05 per unit (2017: Re 0.07 per unit).

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

13. AUDITORS' REMUNERATION

Annual audit fee
Half yearly review
Fee for other certifications
Out of pocket expenses

2018 2017
(Rupees in '000)

| | | |
|------------------------------|------------|------------|
| Annual audit fee | 251 | 135 |
| Half yearly review | 50 | 50 |
| Fee for other certifications | - | 60 |
| Out of pocket expenses | 12 | 8 |
| | 313 | 253 |

14. PERFORMANCE TABLE

Net assets (Rs. '000) (ex-distribution)
Net assets value / redemption price per unit
as at June 30 (Rs.) (ex-distribution)
Offer price per unit as at June 30, (Rs.) (ex-distribution)
Highest offer price per unit (Rs.)
Lowest offer price per unit (Rs.)
Highest redemption price per unit (Rs.)
Lowest redemption price per unit (Rs.)
Distribution (%)
Interim
Final
Date of distribution
Interim
Final
Income distribution (Rupees in '000)
Growth distribution (Rupees in '000)
Total return (%)

2018 2017

| | | |
|---|------------------|------------------|
| Net assets (Rs. '000) (ex-distribution) | 1,636,573 | 1,139,264 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution) | 49.7823 | 50.2300 |
| Offer price per unit as at June 30, (Rs.) (ex-distribution) | 51.4699 | 51.9300 |
| Highest offer price per unit (Rs.) | 56.0800 | 63.7900 |
| Lowest offer price per unit (Rs.) | 46.7400 | 50.0000 |
| Highest redemption price per unit (Rs.) | 55.3300 | 61.7000 |
| Lowest redemption price per unit (Rs.) | 45.2100 | 49.9600 |
| Distribution (%) | | |
| Interim | - | 6.50 |
| Final | - | - |
| Date of distribution | | |
| Interim | - | 23-Jun-17 |
| Final | - | - |
| Income distribution (Rupees in '000) | - | - |
| Growth distribution (Rupees in '000) | - | 69,559 |
| Total return (%) | (0.89) | 6.96 |
| One Year | (0.89) | Two Years |
| | | 2.96 |

Average annual return as at June 30, 2018 (%)

Investment portfolio composition of the Fund

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 19.

15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 3.39% which includes 0.40% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP, Shariah advisors fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an equity scheme.

16. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year.

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

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

17.1 Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.

17.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

17.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.

17.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.



17.5 The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

For the period
from November
30, 2016 to
June 30, 2017
2018

(Rupees in '000)

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

Transactions during the year

| | | |
|---|----------------|---------|
| Remuneration charged | 30,138 | 10,825 |
| Sindh Sales Tax on remuneration of the Management Company | 3,918 | 1,407 |
| Allocated expenses | 1,507 | 541 |
| Selling and marketing charges | 6,028 | 1,509 |
| Issue of 4,955,848 (2017: 4,225,813) units | 250,000 | 213,014 |
| Redemption of 1,090,991(2017: nil) units | 53,000 | - |
| Cash dividend | - | 13,001 |

Balances

| | | |
|---|----------------|---------|
| Management fee payable | 2,670 | 1,950 |
| Sindh Sales Tax payable on remuneration | 347 | 254 |
| Sales load | 538 | 862 |
| Sindh Sales Tax payable on sales load | 70 | 112 |
| Allocated expense payable | 133 | 98 |
| Selling and marketing expenses payable | 4,258 | 1,509 |
| Outstanding 8,090,670 (2017: 4,225,813) units | 402,772 | 212,263 |

Central Depository Company of Pakistan Limited - Trustee

Transactions during the year

| | | |
|--|--------------|-------|
| Remuneration of the Trustee | 2,506 | 1,034 |
| Sindh Sales Tax on remuneration of the Trustee | 326 | 135 |

Balances

| | | |
|--|------------|-----|
| Trustee fee payable | 216 | 180 |
| Sindh Sales Tax on Trustee fee payable | 28 | 23 |
| Deposit | 100 | 100 |

Meezan Bank Limited

Transactions during the year

| | | |
|---------------------------|--------------|-------|
| Profit on saving accounts | 1,730 | 1,879 |
|---------------------------|--------------|-------|

Balances

| | | |
|---------------------------------------|----------------|--------|
| Sales load payable | 46 | 814 |
| Sindh sales tax on sales load payable | 6 | 106 |
| Bank balance | 128,649 | 65,088 |
| Profit receivable on saving accounts | 203 | 237 |

Directors and executives of the Management Company

| | | |
|---|---------------|-------|
| Issue of 920,036 (2017: 20,329) units | 45,012 | 1,125 |
| Redemption of 47,738 (2017: 7,675) units | 2,356 | 420 |
| Cash dividend | - | 41 |
| Outstanding 885,563 (2017: 13,264) units - at net asset value | 44,085 | 666 |

Unitholders holding 10% or more of the Fund

| | | |
|---|----------------|---------|
| Investment as at June 30, 2018: 3,826,614 units (June 30, 2017: 6,563,534 units) | 190,498 | 329,686 |
|---|----------------|---------|

17.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

18. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | |
|--|-----------------------|--------------------------------------|------------------|
| | Loans and receivables | At fair value through profit or loss | Total |
| | Rupees in '000 | | |
| Financial assets | | | |
| Balances with banks | 195,027 | - | 195,027 |
| Investments | - | 1,441,891 | 1,441,891 |
| Receivable against conversion of units | 12,736 | - | 12,736 |
| Dividend receivable | 3,697 | - | 3,697 |
| Advances, deposits and other receivables | 637 | - | 637 |
| | 212,097 | 1,441,891 | 1,653,988 |

| | 2018 | |
|---|-------------------|---------------|
| | At amortised cost | Total |
| | Rupees in '000 | |
| Financial liabilities | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 8,016 | 8,016 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 244 | 244 |
| Payable against conversion and redemption of units | 3,885 | 3,885 |
| Payable to Meezan Bank Limited | 52 | 52 |
| Payable against purchase of investments | 2,314 | 2,314 |
| Dividend payable | - | - |
| Accrued expenses and other liabilities | 2,025 | 2,025 |
| | 16,536 | 16,536 |

| | 2017 | | |
|--|-----------------------|--------------------------------------|------------------|
| | Loans and receivables | At fair value through profit or loss | Total |
| | Rupees in '000 | | |
| Financial assets | | | |
| Balances with banks | 91,575 | - | 91,575 |
| Investments | - | 1,059,994 | 1,059,994 |
| Receivable against conversion of units | 5,326 | - | 5,326 |
| Dividend receivable | 3,192 | - | 3,192 |
| Advances, deposits and other receivables | 743 | - | 743 |
| | 100,836 | 1,059,994 | 1,160,830 |

| | 2017 | |
|---|-------------------|---------------|
| | At amortised cost | Total |
| | Rupees in '000 | |
| Financial liabilities | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 4,785 | 4,785 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 203 | 203 |
| Payable against conversion and redemption of units | 2,598 | 2,598 |
| Payable to Meezan Bank Limited | 920 | 920 |
| Payable against purchase of investments | 116 | 116 |
| Dividend payable | 4,028 | 4,028 |
| Accrued expenses and other liabilities | 702 | 702 |
| | 13,352 | 13,352 |





19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies:

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

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

19.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.01 million (2017: Rs. 0.01 million).

b) Sensitivity analysis for fixed rate instruments

As at 30 June 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | Effective yield / interest rate (%) | 2018 | | | Total | |
|---|-------------------------------------|---------------------------------------|--|--------------------|---|---|
| | | Exposed to yield / interest rate risk | | | | Not exposed to yield / profit rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2% 6.60% | 191,184 | - | - | 3,843 | 195,027 |
| Investment | | - | - | - | 1,441,891 | 1,441,891 |
| Receivable against issue of units | | - | - | - | 12,736 | 12,736 |
| Dividend receivable | | - | - | - | 3,697 | 3,697 |
| Advances, deposits and other receivables | | - | - | - | 637 | 637 |
| | | 191,184 | - | - | 1,462,804 | 1,653,988 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | - | 8,016 | 8,016 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | | - | - | - | 244 | 244 |
| Payable against conversion and redemption of units | | - | - | - | 3,885 | 3,885 |
| Payable to Meezan Bank Limited | | - | - | - | 52 | 52 |
| Payable against purchase of investments | | - | - | - | 2,314 | 2,314 |
| Accrued expenses and other liabilities | | - | - | - | 2,025 | 2,025 |
| | | - | - | - | 16,536 | 16,536 |
| On-balance sheet gap (a) | | 191,184 | - | - | 1,446,268 | 1,637,452 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 191,184 | - | - | - | - |
| Cumulative profit rate sensitivity gap | | 191,184 | 191,184 | 191,184 | - | - |
| 2017 | | | | | | |
| | Effective yield / interest rate (%) | Exposed to yield / interest rate risk | | | Not exposed to yield / profit rate risk | Total |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2% 2.4% | 90,787 | - | - | 788 | 91,575 |
| Investment | | - | - | - | 1,059,994 | 1,059,994 |
| Receivable against issue of units | | - | - | - | 5,326 | 5,326 |
| Dividend receivable | | - | - | - | 3,192 | 3,192 |
| Advances, deposits and other receivables | | - | - | - | 743 | 743 |
| | | 90,787 | - | - | 1,070,043 | 1,160,830 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | - | 4,785 | 4,785 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | | - | - | - | 203 | 203 |
| Payable against conversion and redemption of units | | - | - | - | 2,598 | 2,598 |
| Payable to Meezan Bank Limited | | - | - | - | 920 | 920 |
| Payable against purchase of investments | | - | - | - | 116 | 116 |
| Dividend payable | | - | - | - | 4,028 | 4,028 |
| Accrued expenses and other liabilities | | - | - | - | 702 | 702 |
| | | - | - | - | 13,352 | 13,352 |
| On-balance sheet gap (a) | | 90,787 | - | - | 1,056,691 | 1,147,478 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 90,787 | - | - | - | - |
| Cumulative profit rate sensitivity gap | | 90,787 | 90,787 | 90,787 | - | - |



(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2018, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 14.419 million (2017: Rs.10.6 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI-30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

19.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unitholders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement. The maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | | Total |
|---|----------------|---|--|---------------------------------------|-------------------|--|------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five year | More than 5 years | Financial instruments with no fixed maturity | |
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 195,027 | - | - | - | - | - | 195,027 |
| Investments | - | - | - | - | - | 1,441,891 | 1,441,891 |
| Receivable against conversion of units | 12,736 | - | - | - | - | - | 12,736 |
| Dividend receivable | 3,697 | - | - | - | - | - | 3,697 |
| Advances, deposits and other receivables | 637 | - | - | - | - | - | 637 |
| | 212,097 | - | - | - | - | 1,441,891 | 1,653,988 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 8,016 | - | - | - | - | - | 8,016 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 244 | - | - | - | - | - | 244 |
| Payable against conversion and redemption of units | 3,885 | - | - | - | - | - | 3,885 |
| Payable to Meezan Bank Limited | 52 | - | - | - | - | - | 52 |
| Payable against purchase of investments | 2,314 | - | - | - | - | - | 2,314 |
| Accrued Expenses And Other Liabilities | - | 2,025 | - | - | - | - | 2,025 |
| | 14,511 | 2,025 | - | - | - | - | 16,536 |
| Net assets / (liabilities) | 197,586 | (2,025) | - | - | - | 1,441,891 | 1,637,452 |

| | 2017 | | | | | | Total |
|---|----------------|---|--|---------------------------------------|-------------------|--|------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five year | More than 5 years | Financial instruments with no fixed maturity | |
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 91,575 | - | - | - | - | - | 91,575 |
| Investments | - | - | - | - | - | 1,059,994 | 1,059,994 |
| Receivable against conversion of units | 5,326 | - | - | - | - | - | 5,326 |
| Dividend receivable | 3,192 | - | - | - | - | - | 3,192 |
| Advances, deposits and other receivables | 743 | - | - | - | - | - | 743 |
| | 100,836 | - | - | - | - | 1,059,994 | 1,160,830 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 4,785 | - | - | - | - | - | 4,785 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 203 | - | - | - | - | - | 203 |
| Payable against conversion and redemption of units | 2,598 | - | - | - | - | - | 2,598 |
| Payable to Meezan Bank Limited | 920 | - | - | - | - | - | 920 |
| Payable against purchase of investments | 116 | - | - | - | - | - | 116 |
| Dividend payable | 4,028 | - | - | - | - | - | 4,028 |
| Accrued Expenses And Other Liabilities | - | 702 | - | - | - | - | 702 |
| | 12,650 | 702 | - | - | - | - | 13,352 |
| Net assets / (liabilities) | 88,186 | (702) | - | - | - | 1,059,994 | 1,147,478 |



19.3 Credit risk

19.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| (Rupees in '000) | | | | |
| Balances with banks | 195,027 | 195,027 | 91,575 | 91,575 |
| Investments | 1,441,891 | - | 1,059,994 | - |
| Receivable against conversion of units | 12,736 | 12,736 | 5,326 | 5,326 |
| Dividend receivable | 3,697 | 3,697 | 3,192 | 3,192 |
| Advances, deposits and other receivables | 2,073 | 2,073 | 2,022 | 2,022 |
| | 1,655,424 | 213,533 | 1,162,109 | 102,115 |

The difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in equity securities of Rs 1,441.891 million (2017: Rs 1,059.994 million) is not exposed to credit risk.

19.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued on bank balances, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|--|---------------|
| | 2018 | 2017 |
| AAA | 22.85 | - |
| AA+ | 77.15 | 28.92 |
| AA | - | 71.08 |
| | 100.00 | 100.00 |

19.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

20. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|----------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 1,441,891 | - | - |
| | | | |
| | 2017 | | |
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 1,059,994 | - | - |

21. UNITHOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unitholders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.



22. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|----------------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 1,523 | 777,758 | 47.52 | 1,266 | 704,478 | 61.84 |
| Associated Companies / Directors | 2 | 443,610 | 27.11 | 1 | 212,263 | 18.63 |
| Retirement Funds | 2 | 1,051 | 0.06 | 1 | 3,932 | 0.35 |
| Insurance Companies | 4 | 169,324 | 10.35 | | | |
| Others | 11 | 244,830 | 14.96 | 11 | 218,591 | 19.19 |
| | 1,542 | 1,636,573 | 100.00 | 1,279 | 1,139,264 | 100.00 |

23. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|---|-------------------------------|--|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| BMA Capital Management Limited | 13% | Fortune Securities Limited | 14% |
| AKD Securities Limited | 12% | JS Global Capital Limited | 14% |
| Foundation Securities (Private) Limited | 11% | AKD Securities Limited | 14% |
| Shajar Capital Pakistan (Private) Limited | 9% | Invest & Finance Securities Limited | 10% |
| Arif Habib Limited | 8% | Elixir Securities Pakistan (Private) Limited | 9% |
| Top Line Securities (Private) Limited | 7% | Taurus Securities Limited | 8% |
| EFG Hermes Pakistan | 7% | Aba Ali Habib Securities (Private) Limited | 5% |
| Standard Capital Securities (Private) Limited | 5% | BMA Capital Management Limited | 4% |
| Optimus Capital Management (Private) Limited | 5% | Ample Securities (Private) Limited | 4% |
| Next Capital Limited | 4% | Top Line Securities (Private) Limited | 3% |

24. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

The name of the fund manager is Mr. Ahmed Hassan. Other funds being managed by the fund manager are as follows:

- Al Meezan Mutual Fund
- Meezan Financial Planning Fund of Funds
- Meezan Strategic Allocation Fund ; and
- Meezan Asset Allocation Fund

25. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | - | - | - | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | - |
| Ms. Saima Kamila Khan ** | Director | - | - | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | - | - | - |
| Mazhar Sharif *** | Director | Yes | Yes | - | - | - |
| Mr. Naeem Sattar *** | Director | - | - | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

26. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.


27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

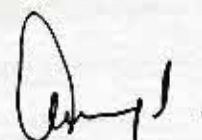
28. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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



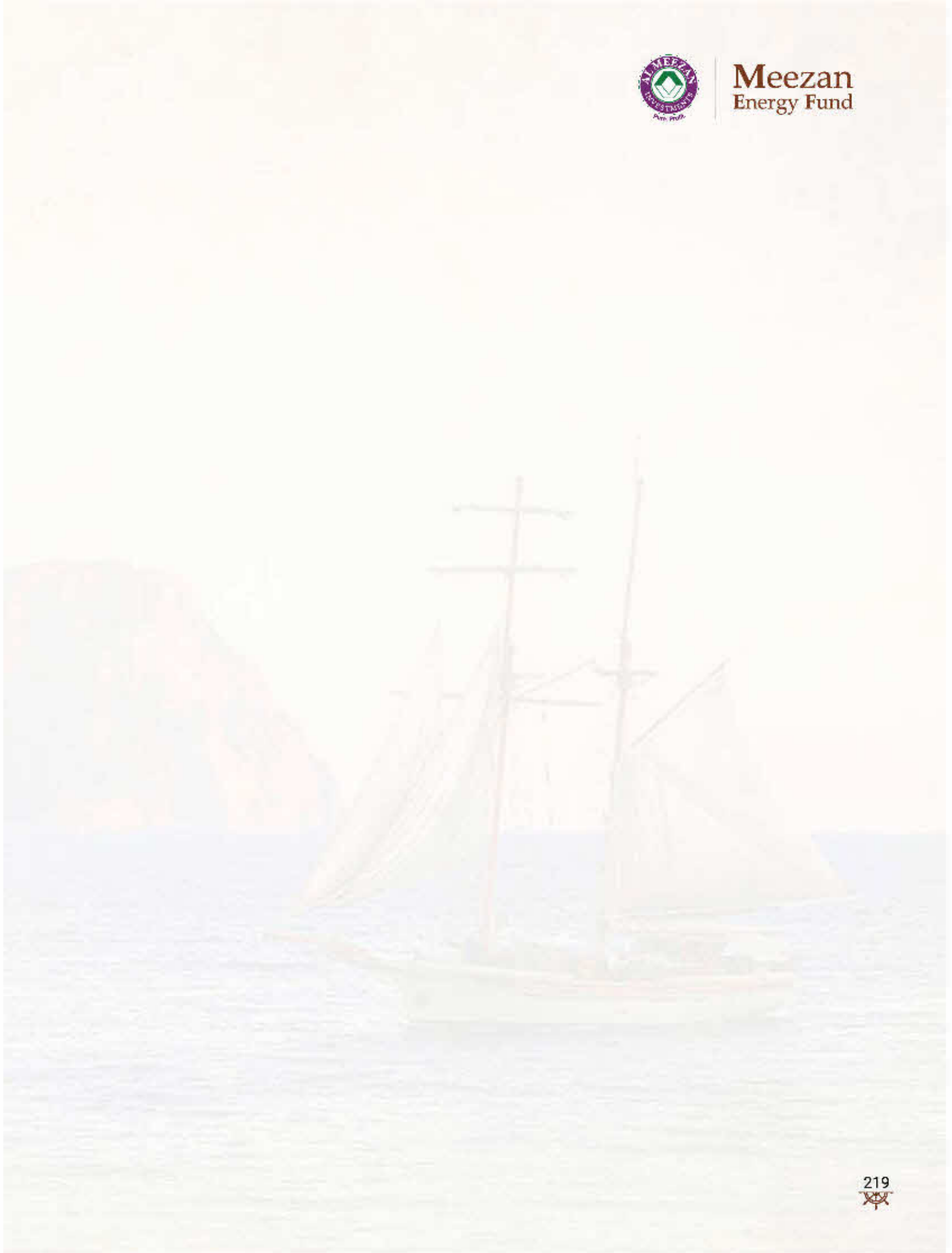
**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**



Meezan
Energy Fund





Meezan Balanced Fund

MEEZAN BALANCED FUND (MBF)

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





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoaib, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasli

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | Member |
| Mr. Mohammad Shoaib, CFA | Member |

TRUSTEE

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

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

Faysal Bank Limited
Habib Metropolitan Bank Limited - Islamic Banking
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
Samba Bank Limited
Sindh Bank
UBL Ameen - Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

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

Objective

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

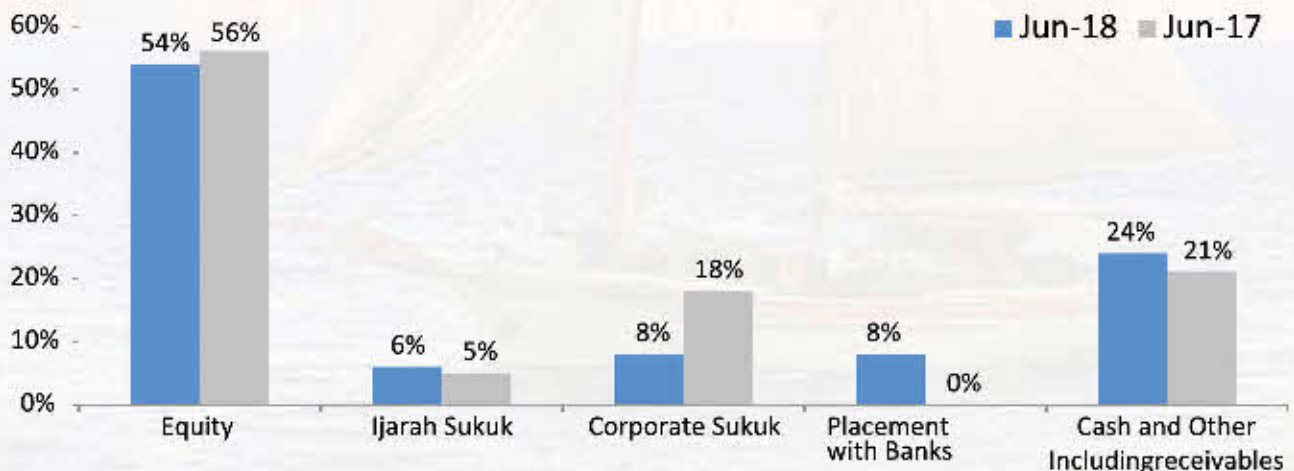
The fund invests only in Shariah Compliant instruments with the objective of maximizing total return to its unit holders and maintaining risks within acceptable levels. The fund also has a focus of long term preservation of capital and aims to maximize total returns by varying fund's allocations to fixed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

Strategy and Investment Policy

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

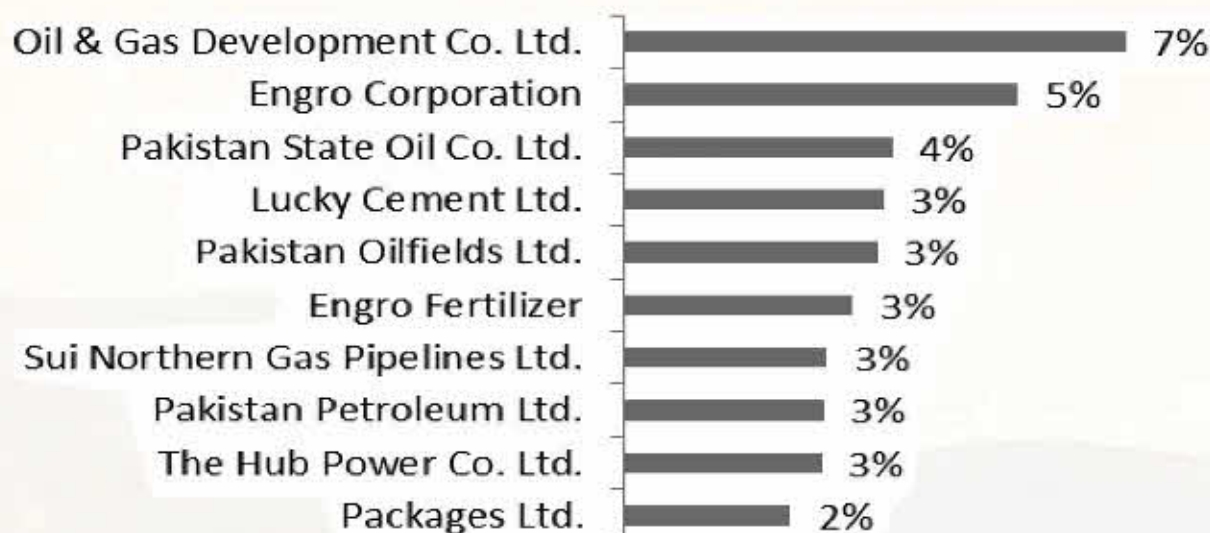
During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum, the fund manager over the period kept the duration of the fixed income portfolio below six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

Sector Allocation as on June 30th 2017 and 2018



During FY18, the fund maintained significant exposure to Cement, Oil & Gas, Fertilizer and Paper & Board sectors because of better prospects of these sectors. The average equity exposure in the fund during the year was 55% while the remaining was deployed in quality fixed income instruments.

Top Holdings

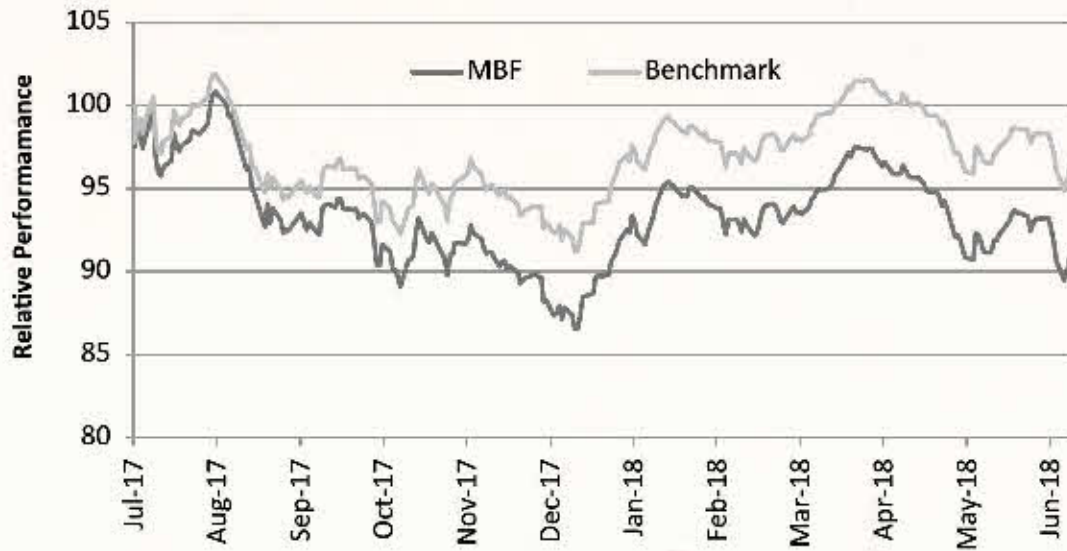


Performance Review

During FY18, Meezan Balanced Fund (MBF) provided a negative return of 8.95% to its investors compared to benchmark return of negative 4.21%.

MBF posted a total loss of Rs. 561 million in the fiscal year 2018 as compared to a total income of Rs. 974 million last year. Total loss comprised of realized and unrealized loss on investments of Rs. 313 million and Rs. 728 million respectively. Dividend income contributed Rs. 245 million to income, while profit on saving accounts with banks including profit on term deposit receipts amounted to Rs. 120 million. Profit on Sukuks certificates was Rs. 115 million. After accounting for expenses of Rs. 228 million, the Fund posted a net loss of Rs. 789 million. The net assets of the Fund as at June 30, 2018 were Rs. 7,843 million as compared to Rs. 9,516 million at the end of last year depicting a decrease of 17.58%. The net asset value per unit as at June 30, 2018 was Rs. 15.44 as compared to Rs. 16.95 per unit as on June 30, 2017.

| NAV (Dividend Adjusted) | 30-Jun-18 | 30-Jun-17 | Change |
|---|-----------|-----------|--------|
| Meezan Balanced Fund | 15.44 | 16.95 | -8.95% |
| Benchmark Returns (Inputs) | | | |
| KMI 30 | 71,060 | 78,598 | -9.59% |
| Average Yield on Islamic Bank Deposits (annualized) | | | 2.44% |
| Benchmark Return | | | -4.21% |
| Outperformance | | | -4.74% |



Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2018 an amount of Rs. 3.69 million was accrued as charity payable.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.

Summary of Actual Proxy Voted By the Fund

| | Resolutions | For | Against | Abstain |
|------------|-------------|------|---------|---------|
| Number | 6 | 6 | - | - |
| Percentage | 100% | 100% | - | - |

The proxy voting policy of Al Meezan Investment Management Limited, duly approved by Board of Directors of the Management Company, is available on the website www.almeezangroup.com. A detailed information regarding actual proxies voted by the Management Company in respect of funds is also available without charge, upon request, to all unit holders.

Breakdown of unit holdings by size

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|-------------------|------------------|
| 1 - 9,999 | 3,194 |
| 10,000 - 49,999 | 1,486 |
| 50,000 - 99,999 | 604 |
| 100,000 - 499,999 | 516 |
| 500,000 and above | 144 |
| Total | 5,944 |



Meezan Bank
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

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

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

- i. We have reviewed and approved the modes of investments of MBF in light of *Shari'ah* requirements. Following is the list of top equity holdings of MBF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 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) |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| Engro Corporation Ltd | Fertilizer | 29.53% | 21.57% | 3.03% | 65% | (75.29) | |
| Pakistan State Oil** | Oil & Gas Marketing Companies | 20.44% | 0.57% | 0.33% | 19% | 119.42 | 293.11 |
| Lucky Cement | Cement | 10.50% | 0.00% | 3.23% | 68% | (231.74) | |
| Pakistan Oil Fields | Oil & Gas Exploration Companies | 0.00% | 0.01% | 2.00% | 72% | (40.74) | |

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

** All interest based debts.

*** PSO scrip has been considered compliant due to circular debt issue.

Page 1 of 2

Meezan Bank Ltd.

Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.
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- ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2018 have been in compliance with the *Shari'ah* principles.

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

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

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shakra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 311-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN BALANCED FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Balanced Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





Meezan
Balanced Fund

A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Balanced Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Balanced Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|---|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |

All in

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

* KARACHI = LAHORE = ISLAMABAD

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|--|
| | <p>prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 6,205 million and balances with banks aggregated to Rs 1,683 million.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.

Altaf Hussain
Chartered Accountants

Karachi

Date: September 19, 2018



STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|--------------------|
| Assets | | | |
| Balances with banks | 4 | 1,682,989 | 1,842,313 |
| Investments | 5 | 6,204,967 | 7,504,175 |
| Receivable against conversion of units | | 13,311 | 444,069 |
| Dividend receivable | | 14,017 | 19,039 |
| Receivable against sale of investments | | - | 1,851 |
| Advances, deposits and other receivables | 6 | 63,124 | 74,354 |
| Total assets | | 7,978,408 | 9,885,801 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 7 | 18,002 | 29,352 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 8 | 831 | 993 |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 7,166 | 6,210 |
| Payable to Meezan Bank Limited | | 307 | 3,050 |
| Payable against purchase of investments | | 16,084 | - |
| Payable against redemption and conversion of units | | 3,380 | 87,821 |
| Dividend payable | | 8,437 | 87,370 |
| Accrued expenses and other liabilities | 10 | 81,196 | 154,900 |
| Total liabilities | | 135,403 | 369,696 |
| NET ASSETS | | 7,843,005 | 9,516,105 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 7,843,005 | 9,516,105 |
| CONTINGENCIES AND COMMITMENTS | 11 | | |
| NUMBER OF UNITS IN ISSUE | | 508,080,068 | 561,280,121 |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | | 15.4366 | 16.9500 |

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

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

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

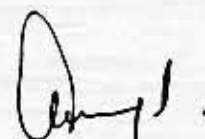
| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-----------|
| Income | | | |
| Profit on balances with banks | | 89,148 | 88,454 |
| Dividend income | | 244,625 | 159,463 |
| Profit on term deposit receipts | | 30,680 | 22,990 |
| Profit on sukuk certificates | | 114,690 | 88,054 |
| Net realised (loss) / gain on sale of investments | | (313,039) | 104,688 |
| Reversal of provision for Workers' Welfare Fund (WWF) | | - | 37,909 |
| Other income | | 289 | 220 |
| | | 166,393 | 501,778 |
| Net unrealised (diminution) / appreciation on re-measurement of investments - 'at fair value through profit or loss | 5.6 | (727,752) | 472,090 |
| Total (loss) / income | | (561,359) | 973,868 |
| Expenses | | | |
| Remuneration of Al Meezan Investment Management Limited - Management Company | 7.1 | 168,600 | 146,130 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 | 21,918 | 18,997 |
| Allocated expenses | 7.3 | 8,430 | 7,307 |
| Selling and marketing expenses | 7.4 | 2,347 | - |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 8.1 | 9,430 | 8,306 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 1,226 | 1,080 |
| Annual fees to the Securities and Exchange Commission of Pakistan | | 7,166 | 6,210 |
| Brokerage expense | | 1,960 | 4,216 |
| Auditors' remuneration | 12 | 508 | 521 |
| Fees and subscription | | 1,021 | 844 |
| Charity expense | 10.1 | 3,692 | 2,005 |
| Printing expense | | 259 | 164 |
| Legal and professional charges | | 76 | 103 |
| Bank and settlement charges | | 1,061 | 1,437 |
| Provision for Sindh Workers' Welfare Fund | 10.2 | - | 38,656 |
| Total expenses | | 227,694 | 235,976 |
| Net (loss) / income from operating activities | | (789,053) | 737,892 |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | 3.10 | - | 494,067 |
| Net (loss) / income for the year before taxation | | (789,053) | 1,231,959 |
| Taxation | 15 | - | - |
| Net (loss) / income for the year after taxation | | (789,053) | 1,231,959 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | - | - |
| Income already paid on units redeemed | | - | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | - | - |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director






STATEMENT OF COMPREHENSIVE INCOME

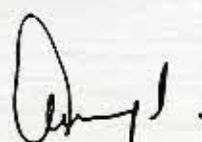
FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-----------|
| Net (loss) / income for the year after taxation | | (789,053) | 1,231,959 |
| Other comprehensive income for the year | | | |
| Income that may be re-classified subsequently to Income Statement | | | |
| Net unrealised (diminution) / appreciation in the value of investments classified as 'available-for-sale' | 5.5 | (65,026) | 9,066 |
| Total comprehensive (loss) / income for the year | | (854,079) | 1,241,025 |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 | | | Total |
|--|------------------|-------------------------------|---|-----------|
| | Capital Value | Undistributed income / (loss) | Unrealised appreciation/ (diminution) on 'available for sale' investments | |
| | (Rupees in '000) | | | |
| Net assets at beginning of the year | 7,829,313 | 1,559,823 | 126,969 | 9,516,105 |
| Issue of 152,256,553 units | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 2,580,749 | - | - | 2,580,749 |
| - Element of income | 173,991 | - | - | 173,991 |
| Total proceeds on issuance of units | 2,754,740 | - | - | 2,754,740 |
| Redemption of 205,456,606 units | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 3,482,489 | - | - | 3,482,489 |
| - Element of income | 91,272 | - | - | 91,272 |
| Total payments on redemption of units | 3,573,761 | - | - | 3,573,761 |
| Total comprehensive loss for the year | - | (789,053) | (65,026) | (854,079) |
| Distribution during the year | - | - | - | - |
| Net loss for the year less distribution | - | (789,053) | (65,026) | (854,079) |
| Net assets at end of the year | 7,010,292 | 770,770 | 61,943 | 7,843,005 |
| Undistributed income carried forward | | | | |
| - Realised income | | 1,498,522 | | |
| - Unrealised loss | | (727,752) | | |
| | | <u>770,770</u> | | |
| Accounting income available for distribution | | | | |
| - Relating to capital gains | | - | | |
| - Excluding capital gains | | - | | |
| | | <u>-</u> | | |

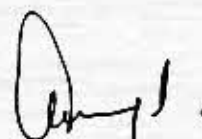
| | |
|---|-----------------------|
| Net assets value per unit at beginning of the year | 16.9500 |
| Net assets value per unit at end of the year | <u>15.4366</u> |
| | June 30, 2017 |
| | Rupees in '000 |
| Capital Value | 3,764,210 |
| Undistributed income brought forward | |
| Realised | 607,343 |
| Unrealised | 336,134 |
| Net assets at beginning of the year | 4,707,687 |
| Issuance of 498,655,554 units | 8,997,498 |
| Redemption of 234,576,828 units | (4,292,103) |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | 4,705,395 |
| Net realised gain on sale of investments | (494,067) |
| Unrealised appreciation in the value of investments net | 104,688 |
| Other net income for the year | 481,156 |
| Total comprehensive income for the year | 655,181 |
| Interim distribution for the period ended June 30, 2017 - cash dividend @ 12.50% i.e. Rs. 1.25 per unit | 1,241,025 |
| Net income for the year less distribution | (643,935) |
| Net assets at end of the year | 597,090 |
| Represented by: | <u>9,516,105</u> |
| Capital value | 7,956,282 |
| Undistributed income carried forward | |
| - Realised income | 1,087,733 |
| - Unrealised loss | 472,090 |
| | 9,516,105 |
| | (Rupees) |
| Net assets value per unit at beginning of the year | 15.8400 |
| Net assets value per unit at end of the year | <u>16.9500</u> |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





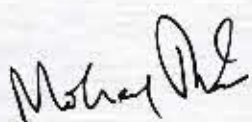
CASH FLOW STATEMENT

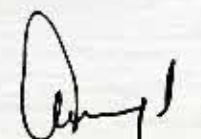
FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the year before taxation | (789,053) | 1,231,959 |
| Adjustments for: | | |
| Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 727,752 | (472,090) |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | - | (494,067) |
| | 727,752 | (966,157) |
| Decrease / (increase) in assets | | |
| Investments - net | 506,430 | (2,950,487) |
| Receivable against sale of investments | 1,851 | 2,169 |
| Dividend receivable | 5,022 | (11,468) |
| Advances, deposits and other receivables | 11,230 | (46,050) |
| | 524,533 | (3,005,836) |
| (Decrease) / increase in liabilities | | |
| Payable to AI Meezan Investment Management Limited - Management Company | (11,350) | 19,019 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | (162) | 459 |
| Payable to the Securities and Exchange Commission of Pakistan | 956 | 2,442 |
| Payable to Meezan Bank Limited | (2,743) | 1,734 |
| Payable against purchase of investments - net | 16,084 | - |
| Accrued expenses and other liabilities | (73,704) | 52,645 |
| | (70,919) | 76,299 |
| Net cash generated from / (used in) operating activities | 392,313 | (2,663,735) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts against issuance and conversion of units | 3,185,498 | 8,638,355 |
| Payments against redemption and conversion of units | (3,658,202) | (4,216,075) |
| Dividend paid | (78,933) | (576,564) |
| Net cash (used in) / generated from financing activities | (551,637) | 3,845,716 |
| Net (decrease) / increase in cash and cash equivalents | (159,324) | 1,181,981 |
| Cash and cash equivalents at the beginning of the year | 1,842,313 | 660,332 |
| Cash and cash equivalents at the end of the year | 1,682,989 | 1,842,313 |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

1.2 The Management Company has been licensed by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP.

1.3 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality Shariah compliant equity securities and Islamic income instruments such as Islamic Sukuks (certificates of Islamic investment), musharaka certificates, Government Securities, cash in bank accounts, Money Market Placements, Deposits, Certificates of Deposits, Term Deposits Receipts, Commercial Papers, Islamic alternatives of Reverse Repos, Spread Transactions, and other Shariah compliant instruments as indicated by the SECP. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah principles. The Management Company 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 open-end fund listed on the Pakistan Stock Exchange Limited. The Fund is categorised as a Shariah Compliant Balanced Fund in accordance with Circular 7 of 2009 issued by the SECP.

1.5 Title to the assets of the Fund are held in the name of CDC as the Trustee of the Fund.

1.6 The JCR VIS has maintained the asset manager rating of the Management Company to AM1 (2017: AM1). The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;



- Provisions of and directives issued under the Companies Act 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 15).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the changes in accounting policies as explained in notes 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.



3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of debt securities

The investments of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. 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.

Basis of valuation of government securities

The investments of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in the fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on equity securities

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors and placed by the Management Company on its website.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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



3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption application during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income / (loss) been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 82.719 million in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.11 During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are included in Income Statement and are recognised when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in other comprehensive income in the period in which they arise.
- 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.
- Income on sukuk certificates, term deposit receipts and government securities is recognized on a time proportionate basis using the effective yield method, except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.
- Profit on saving accounts with banks is recognized on time proportion basis using the effective yield method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.



3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

Deferred

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

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

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

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

3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

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

3.16 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

| 4. BALANCES WITH BANKS | Note | 2018 (Rupees in '000) | 2017 |
|-------------------------|------|--------------------------|------------------|
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 1,673,837 | 1,825,753 |
| Current account | | 9,152 | 16,560 |
| | | <u>1,682,989</u> | <u>1,842,313</u> |

4.1 The balances in saving accounts have expected profit rates ranging from 2.00% to 6.50% per annum (2017: 2.00% to 5.70% per annum).

| 5. INVESTMENTS | Note | 2018 (Rupees in '000) | 2017 |
|--|-------|--------------------------|------------------|
| Available-for-sale | | | |
| Listed equity securities | 5.1 | 182,853 | 248,333 |
| At fair value through profit or loss | | | |
| Held for trading | 5.2 | 4,625,464 | 5,642,673 |
| Investments | | | |
| - at fair value through profit or loss upon initial recognition | 5.3 | 1,396,650 | 863,169 |
| | | <u>6,022,114</u> | <u>6,505,842</u> |
| Loans and receivables | | | |
| Term deposit receipts | 5.4 | - | 750,000 |
| | | <u>6,204,967</u> | <u>7,504,175</u> |
| 5.2 At fair value through profit or loss - held for trading | | | |
| Listed equity securities | 5.2.1 | 4,241,333 | 5,059,526 |
| Government Securities - GOP Ijarah Sukuks | 5.2.2 | 384,131 | 583,147 |
| | | <u>4,625,464</u> | <u>5,642,673</u> |
| 5.3 At fair value through profit or loss upon initial recognition | | | |
| Listed equity securities | 5.3.1 | 1,211 | 35,000 |
| Sukuk certificates | 5.3.2 | 1,395,439 | 828,169 |
| | | <u>1,396,650</u> | <u>863,169</u> |

5.1 Listed equity securities - Available-for-sale

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Right issue | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|------------------------------|---------------------|--------------------------|-------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | (Number of shares) | | | | | (Rupees in '000) | | % |

Sector / companies

Automobile assemblers

| | | | | | | | | |
|-----------------------------|-------|---|---|-------|---|---|---|---|
| Indus Motor Company Limited | 2,075 | - | - | 2,075 | - | - | - | - |
|-----------------------------|-------|---|---|-------|---|---|---|---|

Commercial banks

| | | | | | | | | |
|---|-----|--|--|--|-----|---|----|--|
| Meezan Bank Limited (an associate of the Fund) | 301 | | | | 301 | 4 | 24 | |
| BankIslami Pakistan Limited | 875 | | | | 875 | 5 | 10 | |

Chemicals

| | | | | | | | | |
|----------------------|----|---|---|---|----|---|----|---|
| ICI Pakistan Limited | 21 | - | - | - | 21 | 3 | 17 | - |
|----------------------|----|---|---|---|----|---|----|---|



| Name of the investee company | As at July 01, 2017 | Acquired during the year | Right issue | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|--|---------------------|--------------------------|-------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | | | | | | (Rupees in '000) | (Rupees in '000) | % |
| Cement | | | | | | | | |
| Attock Cement Pakistan Limited | 287 | - | - | - | 287 | 11 | 39 | - |
| D.G. Khan Cement Company Limited | 249 | - | - | - | 249 | 10 | 29 | - |
| Lucky Cement Limited | 7,451 | - | - | - | 7,451 | 887 | 3,785 | 0.06 |
| Power Generation & Distribution | | | | | | | | |
| The Hub Power Company Limited | 1,134,050 | - | - | - | 1,134,050 | 41,921 | 104,514 | 1.68 |
| Paper and Board | | | | | | | | |
| Packages Limited | 150,000 | - | - | - | 150,000 | 77,511 | 73,458 | 1.18 |
| Oil & Gas Exploration Companies | | | | | | | | |
| Pakistan Petroleum Limited | 4,548 | - | - | - | 4,548 | 558 | 977 | 0.02 |
| Total as at June 30, 2018 | | | | | | 120,910 | 182,853 | |
| Total as at June 30, 2017 | | | | | | 121,364 | 248,333 | |

5.1.1 All shares have a face value of Rs 10 each.

5.2.1 Listed equity securities - Held for trading

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|--|---------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | | | | | | (Rupees in '000) | (Rupees in '000) | % |
| SECTOR | | | | | | | | |
| Commercial banks | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | | 95,018 | - | 95,000 | 18 | 1 | 1 | |
| Automobile assemblers | | | | | | | | |
| Ghandhara Industries Limited | - | 83,300 | - | 7,000 | 76,300 | 57,393 | 53,920 | 0.87 |
| Millat Tractors Company Limited | 800 | 28,000 | - | - | 28,800 | 38,899 | 34,216 | 0.55 |
| Indus Motor Company Limited | 1,100 | - | - | 1,100 | - | - | - | - |
| Pakistan Suzuki Motor Company Limited | 60 | - | - | - | 60 | 47 | 24 | - |
| Honda Atlas Cars (Pakistan) Limited | 218,600 | - | - | - | 218,600 | 189,677 | 69,163 | 1.11 |
| Automobile parts and accessories | | | | | | | | |
| Ghandhara Nissan Limited | - | 264,096 | - | - | 264,096 | 60,683 | 47,450 | 0.76 |
| Thal Limited (note 5.2.1.1) | 15,000 | - | - | 15,000 | - | - | - | - |
| Cable & Electrical Goods | | | | | | | | |
| Pak Elektron Limited | 1,885,250 | 468,500 | - | 2,353,750 | - | - | - | - |
| Chemicals | | | | | | | | |
| Engro Polymer & Chemicals Limited | 1,500,000 | 770,000 | - | 774,000 | 1,496,000 | 52,273 | 46,915 | 0.76 |
| ICI Pakistan Limited | 120,095 | 28,000 | - | - | 148,095 | 153,862 | 118,698 | 1.91 |
| Lotte Chemical Pakistan Limited | - | 1,000 | - | - | 1,000 | 10 | 12 | - |
| Sitara Chemical Industries Limited | 2,100 | - | - | - | 2,100 | 934 | 773 | 0.01 |
| Cement | | | | | | | | |
| Attock Cement Pakistan Limited | 402 | - | - | - | 402 | 122 | 54 | - |
| Cherat Cement Company Limited | 819,000 | - | - | 50,000 | 769,000 | 137,482 | 74,770 | 1.21 |
| Dewan Cement Limited | - | 702,500 | - | 82,000 | 620,500 | 16,675 | 11,169 | 0.18 |
| D.G. Khan Cement Company Limited | 1,269,760 | 225,000 | - | 600,000 | 894,760 | 175,410 | 102,441 | 1.65 |
| Fauji Cement Company Limited | 2,236,500 | 50,000 | - | 2,282,500 | 4,000 | 155 | 91 | - |
| Kohat Cement Company Limited | 465,400 | - | - | - | 465,400 | 106,698 | 57,277 | 0.92 |
| Lucky Cement Limited | 510,400 | 25,000 | - | - | 535,400 | 442,286 | 271,946 | 4.38 |
| Maple Leaf Cement Factory Limited | 557,000 | 550,625 | - | 557,000 | 550,625 | 42,844 | 27,939 | 0.45 |
| Pioneer Cement Limited | 1,158,500 | - | - | - | 1,158,500 | 150,605 | 54,287 | 0.87 |
| Fertilizers | | | | | | | | |
| Dawood Hercules Corporation Limited | 518,000 | - | - | 25,000 | 493,000 | 67,225 | 54,615 | 0.88 |
| Engro Fertilizers Limited | 3,140,000 | 100,000 | - | - | 3,240,000 | 179,270 | 242,708 | 3.91 |
| Engro Corporation Pakistan Limited (note 5.2.1.3) | 1,490,500 | 51,000 | - | 210,000 | 1,331,500 | 432,587 | 417,905 | 6.74 |
| Fatima Fertilizer Company Limited | 6,500 | - | - | - | 6,500 | 219 | 211 | - |



| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|--|---------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | (Number of shares) | | | | (Rupees in '000) | | % | |
| Technology & Communication | | | | | | | | |
| Pakistan Telecommunication Company Limited "A" Systems Limited | 10 | - | - | 10 | - | - | - | - |
| | | 160,000 | | | 160,000 | 15,684 | 16,195 | 0.26 |
| Paper & Board | | | | | | | | |
| Packages Limited | 230,900 | | | 23,450 | 207,450 | 144,298 | 101,592 | 1.64 |
| Refinery | | | | | | | | |
| Attock Refinery Limited | 154,000 | 35,000 | - | 189,000 | - | - | - | - |
| National Refinery Limited | 60,000 | 15,000 | - | 40,000 | 35,000 | 22,948 | 15,505 | 0.25 |
| Miscellaneous | | | | | | | | |
| Shifa International Hospital Limited | 29,584 | | | 29,500 | 84 | 28 | 23 | |
| Oil & Gas Exploration | | | | | | | | |
| Oil and Gas Development Company Limited | 2,676,400 | 795,000 | - | 50,000 | 3,421,400 | 494,070 | 532,438 | 8.58 |
| Pakistan Oilfields Limited | 380,225 | 28,200 | - | 10,000 | 398,425 | 186,323 | 267,658 | 4.31 |
| Pakistan Petroleum Limited | 489,396 | 495,000 | - | - | 984,396 | 169,989 | 211,547 | 3.41 |
| Mari Petroleum Company Limited | 84,250 | | | | 84,250 | 132,748 | 126,896 | 2.05 |
| Oil and Gas Marketing | | | | | | | | |
| Attock Petroleum Limited | 10,000 | | | | 10,000 | 6,264 | 5,900 | 0.10 |
| Pakistan State Oil Company Limited (note 5.2.1.3) | 395,204 | 350,000 | 149,040 | - | 894,244 | 301,574 | 284,647 | 4.59 |
| Hascol Petroleum Limited | 151,473 | 30,018 | - | 18,000 | 163,491 | 51,005 | 51,297 | 0.83 |
| Hi-Tech Lubricants Limited | 195,400 | - | - | 50,000 | 145,400 | 15,850 | 14,732 | 0.24 |
| Shell Pakistan Limited | 300 | | | 300 | | | | |
| Sui Southern Gas Company Limited | 720,000 | 150,000 | | 770,000 | 100,000 | 3,655 | 3,282 | 0.05 |
| Sui Northern Gas Pipeline Limited | 2,086,000 | 610,000 | | 545,000 | 2,151,000 | 299,071 | 215,573 | 3.47 |
| Pharmaceuticals | | | | | | | | |
| Abbott Laboratories (Pakistan) Limited | 110,200 | - | - | 78,000 | 32,200 | 30,094 | 22,057 | 0.36 |
| AGP Limited | - | 705,000 | - | - | 705,000 | 62,035 | 62,597 | 1.01 |
| Ferozsons Laboratories Limited | 45,750 | - | - | 45,750 | - | - | - | - |
| GlaxoSmithKline Consumer Health care | 205,000 | 41,800 | | 43,000 | 203,800 | 46,979 | 82,549 | 1.33 |
| The Searle Company Limited (note 5.2.1.3) | 349,979 | | 69,995 | | 419,974 | 179,182 | 142,581 | 2.30 |
| Highnoon Laboratories Limited (note 5.2.1.3) | 13,798 | | 155 | 12,500 | 1,453 | 813 | 596 | 0.01 |
| Food & Personal Care Products | | | | | | | | |
| Engro Foods Limited | 113,300 | 50,000 | - | 159,500 | 3,800 | 467 | 338 | 0.01 |
| Al-Shaheer Corporation Limited | 332,225 | 100,000 | - | 425,000 | 7,225 | 276 | 197 | - |
| Power Generation & Distribution | | | | | | | | |
| The Hub Power Company Limited | 1,311,097 | | | 175,000 | 1,136,097 | 133,412 | 104,703 | 1.69 |
| K Electric Limited (note 5.2.1.1) | 27,885,500 | 50,000 | | 5,250,500 | 22,685,000 | 156,501 | 128,851 | 2.08 |
| Real Estate Investment Trust | | | | | | | | |
| Dolmen City REIT | 2,728,000 | 1,931,000 | - | - | 4,659,000 | 56,112 | 60,101 | 0.97 |
| Textile composite | | | | | | | | |
| Nishat Mills Limited | 94,000 | 202,300 | | | 296,300 | 45,091 | 41,755 | 0.67 |
| Engineering | | | | | | | | |
| Crescent Steel & Allied Products Limited | 258,950 | - | - | 105,500 | 153,450 | 36,609 | 13,990 | 0.23 |
| International Industries Limited | 36,500 | 42,000 | - | - | 78,500 | 23,432 | 18,235 | 0.29 |
| International Steel Limited | 249,500 | 50,000 | - | 92,000 | 207,500 | 24,975 | 21,103 | 0.34 |
| Vanaspati & Allied Industries | | | | | | | | |
| Unity Foods | | 100,000 | | | 100,000 | 2,624 | 2,928 | 0.05 |
| Right Certificate | | | | | | | | |
| Engro Polymer & Chemicals Limited | - | - | 553,520 | - | 553,520 | - | 4,882 | 0.08 |
| Total as at June 30, 2018 | | | | | 4,947,466 | 4,241,333 | | |
| Total as at June 30, 2017 | | | | | 4,627,375 | 5,059,526 | | |



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

5.2.1.2 Investments include 150,000 shares of Engro Corporation Limited, having a market value of Rs 47.079 million (2017: Rs 48.889 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

5.2.1.3 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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, The Searle Company Limited, Highnoon Laboratories and Pakistan State Oil Company Limited (2017: The Searle Company Limited, Highnoon Laboratories and Al Shaheer Corporation Limited) have issued bonus shares after withholding 5% shares on account of tax on bonus shares. The shares withheld haven't been deposited by the respective Companies with the Government Treasury due to the pending adjudication of the aforementioned Constitutional Petition and the related stay order in this regard.

5.2.2 Government Securities - GOP Ijarah Sukuk - Held for trading

| Name of the security | Maturity Date | Profit rate | As at July 01, 2017 | Acquired during the year | Sold / matured during the period | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|--|-------------------|-------------|--------------------------------------|--------------------------|----------------------------------|---------------------|------------------------------------|----------------------------------|---|
| | | | ----- (Number of certificates) ----- | | | (Rupees in '000) | | | |
| GOP Ijarah Sukuk Certificates XVII (Note 5.1.4) | February 15, 2019 | 6.10% | 3,190 | | 1,350 | 1,840 | 189,391 | 184,791 | 2.98 |
| GOP Ijarah Sukuk Certificates XVIII (Note 5.1.4) | March 29, 2019 | 5.59% | 2,500 | | 500 | 2,000 | 203,840 | 199,340 | 3.21 |
| Total as at June 30, 2018 | | | | | | | 393,231 | 384,131 | |
| Total as at June 30, 2017 | | | | | | | 577,654 | 583,147 | |

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

5.3.1 Listed equity securities - fair value through profit or loss upon initial recognition

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus shares during the year | Sold during the period | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|----------------------------------|--------------------------------------|--------------------------|------------------------------|------------------------|------------------------------|------------------------------------|----------------------------------|---|
| | ----- (Number of certificates) ----- | | | | ----- (Rupees in '000) ----- | | | |
| Sector / companies | | | | | | | | |
| Automobile assemblers | | | | | | | | |
| Indus Motor Company Limited | 18,555 | - | - | 18,555 | - | - | - | - |
| Paper and Board | | | | | | | | |
| Packages Limited | 2,473 | | | | 2,473 | 1,720 | 1,211 | 0.02 |
| Total as at June 30, 2018 | | | | | | 1,720 | 1,211 | |
| Total as at June 30, 2017 | | | | | | 19,006 | 35,000 | |

5.3.1.1 All shares have a face value of Rs 10 each.

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

| Name of the investee company | Profit payments / Principal redemptions | Tenure | Maturity Date | Profit rate | As of July 1, 2017 | Acquired during the year | Sold / matured during the year | As of June 30, 2018 | Carrying value as at June 30, 2018* | Market value as at June 30, 2018* | Percentage of market value of total investments |
|---|---|----------|--------------------|---|--------------------------|--------------------------|--------------------------------|--------------------------|-------------------------------------|-----------------------------------|---|
| | | | | | (Number of certificates) | | | --- (Rupees in '000) --- | | | --- % --- |
| Secured | | | | | | | | | | | |
| Engro Fertilizer Pakistan Limited - (AA-, non-traded) | Semi annually | 5 years | July 9, 2019 | 6 months KIBOR plus base rate of 1.75% | 10,880 | | 3,740 | 7,140 | 36,889 | 36,057 | 0.58 |
| K Electric Limited (AA+, traded) | Quarterly | 7 years | June 17, 2022 | 3 months KIBOR plus base rate of 1% | 87,253 | | 17,451 | 69,802 | 365,230 | 353,783 | 5.70 |
| Security Leasing * Corporation Limited II | Annually | N/A | January 19, 2022 | Nil | 1,540 | - | - | 1,540 | - | - | - |
| Eden Housing Limited * | Semi annually | N/A | September 29, 2014 | 6 months KIBOR plus base rate of 2.5% | 5,000 | | | 5,000 | | | |
| Arzoo Textile Mills Limited * | Semi annually | N/A | April 15, 2014 | 6 months KIBOR plus base rate of 2% | 5,000 | - | - | 5,000 | - | - | - |
| Hasco Petroleum Limited - Sukuk (AA, Non-traded) | Quarterly | 6 years | January 7, 2022 | 3 months KIBOR plus base rate of 1.50% | 47,500 | - | 10,000 | 37,500 | 194,403 | 192,255 | 3.10 |
| Fatima Fertilizer Company Limited - Sukuk (AA, Non traded) | Semi annually | 5 years | November 28, 2021 | 6 months KIBOR plus base rate of 1.10% | 13,240 | - | 2,942 | 10,298 | 53,802 | 52,312 | 0.84 |
| Dubai Islamic Bank Pakistan Limited Sukuk (A+, Non traded) | Semi annually | 10 Years | July 14, 2027 | 6 months KIBOR plus base rate of 0.50% | - | 141 | - | 141 | 141,375 | 143,637 | 2.31 |
| International Brands Limited - Sukuk | Annually | 4 Years | November 15, 2021 | 12 months KIBOR plus base rate of 0.50% | - | 3,000 | - | 3,000 | 300,000 | 300,000 | 4.83 |
| Neelum Jhelum Hydropower Company (Pvt.) Limited (AAA, traded) | Semi annually | 10 Years | June 29, 2026 | 6 months KIBOR plus base rate of 1.13% | | 3,250 | 2,150 | 1,100 | 112,750 | 114,395 | 1.84 |
| Meezan Bank Limited Sukuk (AA, traded) | Semi annually | 10 years | September 22, 2026 | 6 months KIBOR plus base rate of 0.50% | | 200 | | 200 | 203,000 | 203,000 | 3.27 |
| Total as at June 30, 2018 | | | | | | | | 1,407,449 | 1,395,439 | | |
| Total as at June 30, 2017 | | | | | | | | 809,717 | 828,169 | | |

5.3.2.1 All certificates having face value of Rs 5,000 each unless otherwise stated.

5.3.2.2 The cost of listed sukuk certificates as at June 30, 2018 is Rs. 1,407 million (2017: Rs. 810 million).

5.3.2.3 The nominal value of these sukuk certificates is Rs 5,000 each except for the sukuk certificates of Dubai Islamic Bank Pakistan Limited, Eden Housing Limited, International Brands Limited, Neelum Jhelum Hydropower Company (Pvt.) Limited and Meezan Bank Limited having nominal value of Rs 1,000,000, Rs 984,375, Rs 100,000, Rs 100,000 and Rs 1,000,000 respectively.

5.3.2.4 Details of non-compliant investments with the investment criteria of the assigned category

The Securities and Exchange Commission of Pakistan (SECP), vide its circular No. 16 dated July 07, 2010, prescribed certain disclosures for the schemes holding investments that were non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirement of their constitutive documents. The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (the Management Company) classified Meezan Balanced Fund (the Fund) as a 'Balanced



Scheme' in accordance with the said circular. As at June 30, 2018, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires the rating of any security in the portfolio shall not be lower than the investment grade. The following are the details of non-compliant investments held by the Fund:

| Name of non-compliant investment | Type of Investment | Note | Value of investment before provision | Provision held (if any) | Value of investment after provision | Percentage of net assets | Percentage of Gross assets |
|---|-------------------------------|---------|--------------------------------------|-------------------------|-------------------------------------|--------------------------|----------------------------|
| | | | ----- (Rupees in '000) ----- | | | ----- % ----- | |
| Listed | | | | | | | |
| Arzoo Textile Mills Limited | Non-traded sukuk certificates | 5.3.2.5 | 25,000 | 25,000 | - | - | - |
| Eden Housing Limited | Non traded sukuk certificates | 5.3.2.5 | 4,922 | 4,922 | - | - | - |
| Security Leasing Corporation Limited II | Non-traded sukuk certificates | 5.3.2.6 | 7,701 | 7,701 | - | - | - |
| Total - June 30, 2018 | | | 37,623 | 37,623 | - | - | - |
| Total - June 30, 2017 | | | 37,623 | 37,623 | - | - | - |

5.3.2.5 Eden Housing Limited and Arzoo Textile Mills Limited sukuk certificates have been classified as non-performing by MUFAP. Therefore, in accordance with the requirements of SECP's Circular No. 33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 4.922 million and Rs. 25 million respectively has also been held as provision against the outstanding principal as at June 30, 2018.

5.3.2.6 The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore in accordance with the requirement of Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs. 7.701 million has also been held as provision against the outstanding principal as at June 30, 2018.

| | Note | 2018 (Rupees in '000) | 2017 |
|--|-------|--------------------------|---------|
| 5.4 Investment - loans and receivables | | | |
| Term deposit receipts - having original maturity of more than 3 months | 5.4.1 | - | 750,000 |

5.4.1 Investment - loans and receivables

| Name of the bank | Maturity | Profit rate | As at July 01, 2017 | Term deposit receipts purchased during the year | Matured during the year | As at June 30, 2018 | Percentage of market value of total investments |
|-----------------------------|-------------------|-------------|---------------------|---|-------------------------|---------------------|---|
| | | | (Rupees in '000) | | | | % |
| BankIslami Pakistan Limited | December 01, 2017 | 5.90 | 500,000 | - | 500,000 | - | - |
| Dubai Islamic Bank Limited | February 01, 2018 | 5.70 | 250,000 | - | 250,000 | - | - |
| Bank Al Habib Limited | February 01, 2018 | 5.85 | - | 630,000 | 630,000 | - | - |
| | | | 750,000 | 630,000 | 1,380,000 | - | - |

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-----------|
| 5.5 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale' | | | |
| Market value of investments | 5.1 | 182,853 | 248,333 |
| Carrying value of investments | 5.1 | 120,910 | 121,364 |
| | | 61,943 | 126,969 |
| Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1 | | 126,969 | 117,903 |
| | | (65,026) | 9,066 |
| 5.6 Net unrealised (diminution) / appreciation on re-measurement of investments classified as Financial assets at fair value through profit or loss | | | |
| Market value of investments | | 6,022,114 | 6,505,842 |
| Carrying value of investments | | 6,749,866 | 6,033,752 |
| | | (727,752) | 472,090 |
| 6 ADVANCES, DEPOSITS AND OTHER RECEIVABLES | | | |
| Security deposits | | 2,800 | 2,800 |
| Profit receivable on balances with banks and Term Deposit Receipt | | 22,436 | 52,782 |
| Profit receivable on sukuk certificates | | 36,441 | 18,758 |
| Advance tax | 6.1 | 947 | 14 |
| Advance against IPO subscription | | 500 | - |
| | | 63,124 | 74,354 |

- 6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2018, withholding tax on dividend and profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends and profit on debt amounts to Rs 0.947 million.

Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted has been shown as other receivables as at June 30, 2018. In the opinion of the management, the amount of tax deducted at source will be refunded as the Fund has already claimed refunds against the tax so withheld, through filing of annual tax return.



| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|---------------|
| 7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED- MANAGEMENT COMPANY | | | |
| Management fee | 7.1 | 13,044 | 15,932 |
| Sindh Sales Tax on management fee | 7.2 | 1,696 | 2,071 |
| Sales load payable | | 232 | 9,338 |
| Sindh Sales Tax on sales load | | 30 | 1,214 |
| Allocated expenses payable | 7.3 | 653 | 797 |
| Selling and Marketing expenses payable | 7.4 | 2,347 | - |
| | | 18,002 | 29,352 |

- 7.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of Balanced schemes. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2017: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2018. The remuneration is payable to the Management Company monthly in arrears.
- 7.2** During the year, an amount of Rs 21.918 million (2017: Rs 18.997 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 22.293 million (2017: Rs. 18.007 million) has been paid to the Management Company which acts as a collecting agent.
- 7.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.
- 7.4** During the period the SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund with effect from June 04, 2018 at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) | | | |
| Trustee fee payable | 8.1 | 735 | 879 |
| Sindh Sales Tax payable on trustee fee | 8.2 | 96 | 114 |
| | | 831 | 993 |

- 8.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1 billion
- over Rs 1 billion

Rs. 0.7 million or 0.20% of net assets, whichever is higher
Rs 2.0 million plus 0.10% per annum of net assets exceeding 1 billion.

8.2 During the year, an amount of Rs 1.226 million (2017: Rs 1.080 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 1.244 million (2017: Rs 1.031 million) was paid to the Trustee which acts as a collecting agent.

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, 2008, a collective investment scheme classified as a Balanced scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.085% of the average annual net assets of the Fund as annual fee.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------|
| 10. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Withholding tax payable | | - | 73,371 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 10.2 | 38,656 | 38,656 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on management fee | 10.3 | 30,789 | 30,789 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on sales load | 10.3 | 6,838 | 6,838 |
| Brokerage expenses payable | | 180 | 2,143 |
| Charity payable | 10.1 | 3,732 | 1,961 |
| Shariah advisory fee | | 429 | 378 |
| Auditors' remuneration payable | | 480 | 371 |
| Others | | 92 | 393 |
| | | 81,196 | 154,900 |

10.1 According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated for charitable purposes.

During the year ended June 30, 2018, non-shariah compliant income amounting to Rs 3.692 million (2017: Rs 2.005 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of the Shariah Advisor.

10.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.



Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.08 per unit (2017: Re 0.07 per unit).

- 10.3** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended 30 June 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 30.79 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.06 (2017: Re 0.05) per unit.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

12. AUDITORS' REMUNERATION

Annual audit fee
Half yearly review of condensed interim financial information
Fee for other certifications
Out of pocket expenses

2018 **2017**
(Rupees in '000)

| | | |
|---|------------|-----|
| Annual audit fee | 277 | 250 |
| Half yearly review of condensed interim financial information | 110 | 110 |
| Fee for other certifications | 100 | 120 |
| Out of pocket expenses | 21 | 41 |
| | 508 | 521 |

13. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 2.71% which includes 0.36% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Balanced scheme.

| 14. PERFORMANCE TABLE | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------------|------------------|--------------------|-------------------|-------------------|
| Net assets (ex-distribution) (Rupees in '000) | 7,843,005 | 9,516,105 | 4,707,687 | 3,383,460 | 1,930,486 |
| Net assets value per unit / certificate as at June 30 (ex-distribution) (Rupees) | 15.44 | 16.95 | 15.84 | 14.67 | 13.35 |
| Distribution | | | | | |
| - Final | - | - | - | - | 15.00% |
| - Interim | - | 12.50% | 6.00% | 8.00% | 22.50% |
| Dates of distribution | - | 23-Jun-2017 | 24-Jun-2016 | 26-Jun-2015 | 30-May-2014 |
| Distribution - income distribution (Rupees in '000') | - | 643,935 | 171,188 | 158,790 | 180,000 |
| Distribution - growth distribution (Rupees in '000') | - | - | - | - | 279,974 |
| Highest NAV per unit (Rupees) | 17.0948 | 19.59 | 16.57 | 15.64 | 15.69 |
| Lowest NAV per unit (Rupees) | 14.6771 | 15.92 | 14.25 | 12.96 | 12.95 |
| Total return (%) | (9.00) | 15.00 | 12.00 | 16.00 | 20.00 |
| Earnings per certificate (Rupees) | - | - | - | - | - |
| | One year | Two years | Three years | Four years | Five Years |
| Average annual return as at June 30, 2018 (%) | (9.00) | 15.00 | (12.85) | 14.23 | (15.28) |

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate.

15. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds as per section 4B of the Income Tax Ordinance, 2001.

The Fund is also exempt from the provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in Finance Act, 2015 is also not applicable on Funds as per Income Tax Ordinance, 2001.

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 16.1** Connected persons include AI Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.





- 16.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 16.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 16.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 16.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

| | 2018 | 2017 |
|---|------------------|---------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Limited (Management Company) | | |
| Transactions during the year | | |
| Remuneration charged | 168,600 | 146,130 |
| Sindh Sales Tax on remuneration of the Management Company | 21,918 | 18,997 |
| Allocated expenses | 8,430 | 7,307 |
| Selling and marketing charges | 2,347 | - |
| Balances | | |
| Remuneration payable | 13,044 | 15,932 |
| Sindh Sales Tax payable on management fee | 1,696 | 2,071 |
| Sales load payable | 232 | 9,338 |
| Sindh Sales Tax payable on sales load | 30 | 1,214 |
| Allocated expenses payable | 653 | 797 |
| Issue of nil units (2017: 46,967) units | - | 800 |
| Cash dividend | - | 1,067 |
| Outstanding 900,638 (2017: 853,671) units - at net asset value | 13,903 | 15,266 |
| Central Depository Company of Pakistan Limited (CDC) - Trustee | | |
| Transactions during the year | | |
| Remuneration of the Trustee | 9,430 | 8,306 |
| Sindh Sales Tax on remuneration of the Trustee | 1,226 | 1,080 |
| CDS charges | 140 | 153 |
| Balances | | |
| Trustee fee payable | 735 | 879 |
| Sindh Sales Tax payable on trustee fee | 96 | 114 |
| Security deposits refundable | 300 | 300 |
| Meezan Bank Limited (MBL) | | |
| Transactions during the year | | |
| Cash dividend paid during the year | - | 23,608 |
| Profit on saving account | 495 | 1,116 |
| Dividend income during the year | 232 | 935 |

| | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|---------|
| Balances | | |
| Bank balance | 45,222 | 152,451 |
| Sales load payable | 272 | 2,699 |
| Sindh Sales Tax payable on sales load | 35 | 351 |
| Investment of 18,886,746 units (June 30, 2017: 18,886,746 units) | 291,547 | 320,130 |
| Purchase of 90,500 shares (2017: 5,000 shares) | 6,588 | 258 |
| Right Shares: 4,518 shares (2017: nil) | 226 | - |
| Sale of 95,000 shares (2017: 538,499 shares) | 7,592 | 31,265 |
| Investment in 319 shares (June 30, 2017: 301 shares) | 25 | 24 |
| AI Meezan Investment Management Limited - Employees Gratuity Fund | | |
| Units issued: nil (2017: 30,463 units) | - | 519 |
| Dividend paid | - | 519 |
| Outstanding 445,734 (June 30, 2017: 445,734) units - at net assets | 6,881 | 7,555 |
| Directors and Executives of the Management Company | | |
| Units issued: 69,235 (2017: 4,857,271 units) | 1,097 | 83,054 |
| Units redeemed: 428,919 (2017: 607,585 units) | 6,654 | 11,100 |
| Dividend paid | - | 7,803 |
| Outstanding 6,277,570 units (June 30, 2017: 6,637,501 units) | 96,904 | 112,506 |

16.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

17. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | |
|--|--|--|------------------------|-----------|
| | Loans and receivables | At fair value through profit or loss | Available- for-sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 1,682,989 | - | - | 1,682,989 |
| Investments | - | 6,022,114 | 182,853 | 6,204,967 |
| Receivable against conversion of units | 13,311 | - | - | 13,311 |
| Dividend receivable | 14,017 | - | - | 14,017 |
| Advances, deposits and other receivables | 62,177 | - | - | 62,177 |
| | 1,772,494 | 6,022,114 | 182,853 | 7,977,461 |
| | 2018 | | | |
| | At fair value through profit or loss | Available- for-sale | Total | |
| | Rupees in '000 | | | |
| Financial liabilities | | | | |
| Payable to AI Meezan investment Management Limited - Management Company | - | 18,002 | 18,002 | |
| Payable to the Central Depository Company - Trustee | - | 831 | 831 | |
| Payable to Meezan Bank | - | 307 | 307 | |
| Payable against redemption and conversion of units | - | 3,380 | 3,380 | |
| Payable against purchase of investments | - | 16,084 | 16,084 | |
| Dividend payable | - | 8,437 | 8,437 | |
| Accrued expenses and other liabilities | - | 4,913 | 4,913 | |
| | - | 51,954 | 51,954 | |





2017

| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
|--|-----------------------|--------------------------------------|--------------------|------------------|
| -----Rupees in '000----- | | | | |
| Financial assets | | | | |
| Balances with banks | 1,842,313 | - | - | 1,842,313 |
| Investments | 750,000 | 6,505,842 | 248,333 | 7,504,175 |
| Receivable against sale of investments | 1,851 | - | - | 1,851 |
| Receivable against conversion of units | 444,069 | - | - | 444,069 |
| Dividend receivable | 19,039 | - | - | 19,039 |
| Advances, deposits and other receivables | 74,340 | - | - | 74,340 |
| | <u>3,131,612</u> | <u>6,505,842</u> | <u>248,333</u> | <u>9,885,787</u> |

2017

| | At fair value through profit or loss | Available-for-sale | Total |
|---|--------------------------------------|--------------------|----------------|
| -----Rupees in '000----- | | | |
| Financial liabilities | | | |
| Payable to Al Meezan investment Management Limited - Management Company | - | 29,352 | 29,352 |
| Payable to the Central Depository Company - Trustee | - | 993 | 993 |
| Payable to Meezan Bank Limited | - | 87,821 | 87,821 |
| Payable on redemption and conversion of units | - | 6,210 | 6,210 |
| Payable against purchase of investments (net) | - | 3,050 | 3,050 |
| Dividend payable | - | 87,370 | 87,370 |
| Accrued expenses and other liabilities | - | 5,246 | 5,246 |
| | - | <u>220,042</u> | <u>220,042</u> |

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

(i) Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks, sukuk certificates and investments in government securities. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs.1.198 million (2017: Rs. 1.114 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds GOP Ijara Sukuks which are classified as financial assets at fair value through profit or loss' exposing the Fund to fair value profit rate risk. In case of 100 basis points increase in rates with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.295 million (2017: Rs. 0.205 million). In case of 100 basis points decrease in those rates, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.295 million (2017: Rs. 0.205 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Yield / profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | 2018 | | | | Total | |
|---|---|---------------------------------------|--|--------------------|-----------|---|
| | Effective yield / interest rate (%) | Exposed to yield / interest rate risk | | | | Not exposed to yield / profit rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2% 6.5% | 1,673,837 | - | - | 9,152 | |
| Investments | Weighted Average 12 months, 6 months & 3 months T-Bills & KIBOR + 0.5% to KIBOR +2.5% " | 420,188 | 1,359,382 | - | 4,425,397 | |
| Receivable against conversion of units | | - | - | - | 13,311 | |
| Dividend receivable | | - | - | - | 14,017 | |
| Advances, deposits and other receivables | | - | - | - | 62,177 | |
| | | 2,094,025 | 1,359,382 | - | 4,524,054 | |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | - | 18,002 | |
| Payable to the Central Depository Company - CDC - Trustee | | - | - | - | 831 | |
| Payable to Meezan Bank Limited (MBL) | | - | - | - | 307 | |
| Payable against redemption and conversion of units | | - | - | - | 3,380 | |
| Payable against purchase of investments | | - | - | - | 16,084 | |
| Dividend payable | | - | - | - | 8,437 | |
| Accrued expenses and other liabilities | | - | - | - | 4,913 | |
| | | - | - | - | 51,954 | |
| On-balance sheet gap (a) | | 2,094,025 | 1,359,382 | - | 4,472,100 | |
| Off-balance sheet financial instruments | | - | - | - | - | |
| Off-balance sheet gap (b) | | - | - | - | - | |
| Total profit rate sensitivity gap (a+b) | | 2,094,025 | 1,359,382 | - | - | |
| Cumulative profit rate sensitivity gap | | 2,094,025 | 3,453,407 | 3,453,407 | - | |





2017

| | Effective yield / interest rate (%) | Exposed to yield / interest rate risk | | | Not exposed to yield / profit rate risk | Total |
|---|---|---------------------------------------|--|--------------------|---|------------|
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.00% to 5.70% | 1,825,753 | - | - | 16,560 | 1,842,313 |
| Investments | Weighted Average 6 months T Bills & KIBOR + 1% to KIBOR +1.5% | | 750,000 | 1,411,316 | 5,819,625 | 7,980,941 |
| Receivable against conversion of units | | - | - | - | 444,069 | 444,069 |
| Receivable against sale of investments | | - | - | - | 1,851 | 1,851 |
| Dividend receivable | | | | | 19,039 | 19,039 |
| Advances, deposits and other receivables | | | | | 74,340 | 74,340 |
| | | 1,825,753 | 750,000 | 1,411,316 | 6,375,484 | 10,362,553 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | | | | 29,352 | 29,352 |
| Payable to the Central Depository Company -CDC - Trustee | | | | | 993 | 993 |
| Payable to the Securities and Exchange Commission of Pakistan | | | | | 6,210 | 6,210 |
| Payable to Meezan Bank Limited (MBL) | | | | | 3,050 | 3,050 |
| Payable against redemptions of units | | | | | 87,821 | 87,821 |
| Dividend payable | | | | | 87,370 | 87,370 |
| Accrued expenses and other liabilities | | | | | 154,900 | 154,900 |
| | | | | | 369,696 | 369,696 |
| On-balance sheet gap (a) | | 1,825,753 | 750,000 | 1,411,316 | 6,005,788 | 9,992,857 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | | | | | |
| Total profit rate sensitivity gap (a+b) | | 1,825,753 | 750,000 | 1,411,316 | | |
| Cumulative profit rate sensitivity gap | | 1,825,753 | 2,575,753 | 3,987,069 | | |

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of 30 June 2018.

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'available-for-sale' or 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2018, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 44,254 (2017: Rs. 53,429) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as available-for-sale or financial assets at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI-30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

18.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | Financial instruments with no fixed maturity | Total |
|---|----------------|---|--|---|-------------------|--|-----------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than three months and upto five year | More than 5 years | | |
| ----- (Rupees in '000) ----- | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 1,682,989 | - | - | - | - | - | 1,682,989 |
| Investments | - | - | - | - | - | 6,204,967 | 6,204,967 |
| Receivable against conversion of units | 13,311 | - | - | - | - | - | 13,311 |
| Dividend receivable | 14,017 | - | - | - | - | - | 14,017 |
| Advances, deposits and other receivables | 58,877 | - | - | - | - | 4,247 | 63,124 |
| | 1,769,194 | - | - | - | - | 6,209,214 | 7,978,408 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 18,002 | - | - | - | - | - | 18,002 |
| Payable to Central Depository Company Limited - Trustee | 831 | - | - | - | - | - | 831 |
| Payable to Meezan Bank Limited | 307 | - | - | - | - | - | 307 |
| Payable against redemption and conversion of units | 3,380 | - | - | - | - | - | 3,380 |
| Payable against purchase of investments | 16,084 | - | - | - | - | - | 16,084 |
| Dividend payable | 8,437 | - | - | - | - | - | 8,437 |
| Accrued expenses and other liabilities | 42,540 | - | - | - | - | - | 42,540 |
| | 89,581 | - | - | - | - | - | 89,581 |
| Net assets / (liabilities) | 1,679,613 | - | - | - | - | 6,209,214 | 7,888,827 |



| | 2017 | | | | | | |
|---|------------------|---|--|---|-------------------|--|------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than three months and upto five year | More than 5 years | Financial instruments with no fixed maturity | Total |
| | (Rupees in '000) | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 1,842,313 | - | - | - | - | - | 1,842,313 |
| Investments | | | | 750,000 | | 6,754,175 | 7,504,175 |
| Receivable against sale of investments | 1,851 | - | - | - | - | - | 1,851 |
| Receivable against conversion of units | 444,069 | - | - | - | - | - | 444,069 |
| Dividend receivable | 19,039 | - | - | - | - | - | 19,039 |
| Advances, deposits and other receivables | | 71,540 | - | - | - | 2,814 | 74,354 |
| | <u>2,307,272</u> | <u>71,540</u> | <u>-</u> | <u>750,000</u> | <u>-</u> | <u>6,756,989</u> | <u>9,885,801</u> |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | 29,352 | | | | | | 29,352 |
| Payable to Central Depository Company Limited Trustee | 993 | | | | | | 993 |
| Payable to Meezan Bank Limited | 3,050 | | | | | | 3,050 |
| Payable against redemption and conversion of units | 87,821 | | | | | | 87,821 |
| Dividend payable | 87,370 | | | | | | 87,370 |
| Accrued expenses and other liabilities | 42,873 | | | | | | 42,873 |
| | <u>251,459</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>251,459</u> |
| Net assets / (liabilities) | <u>2,055,813</u> | <u>71,540</u> | <u>-</u> | <u>750,000</u> | <u>-</u> | <u>6,756,989</u> | <u>9,634,342</u> |

18.3 Credit risk

18.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| | (Rupees in '000) | | | |
| Balances with banks | 1,682,989 | 1,682,989 | 1,842,313 | 1,842,313 |
| Investments | 1,395,439 | 1,395,439 | 1,578,169 | 1,578,169 |
| Receivable against conversion of units | 13,311 | 13,311 | 444,069 | 444,069 |
| Dividend receivable | 14,017 | 14,017 | 19,039 | 19,039 |
| Receivable against sale of investments | - | - | 1,851 | 1,851 |
| Advances, deposits and other receivables | 63,124 | 63,124 | 74,354 | 74,354 |
| | <u>3,168,880</u> | <u>3,168,880</u> | <u>3,959,795</u> | <u>3,959,795</u> |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

18.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, cheques in hand, dividend receivable and receivable against sale of units and against investments, investments in term finance and sukuk certificates. The credit rating profile of balances with banks and sukuk is as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|--|------------|
| | 2018 | 2017 |
| A+ | 79.30 | 97.20 |
| AA+ | 7.93 | 2.70 |
| AA- | 0.45 | 0.09 |
| A | - | 0.01 |
| AAA | 12.32 | - |
| AA | - | - |
| | <u>100</u> | <u>100</u> |

18.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's investments in sukuk certificates are broadly diversified thereby mitigating any significant concentration of credit risk. The table below analyses the Fund's concentration of credit risk by industrial distribution for its exposure in sukuk certificates:

| Rating | % of debt instruments | |
|-----------------------|-----------------------|------------|
| | 2018 | 2017 |
| Government guaranteed | 21.59 | 26.98 |
| AAA | 6.43 | - |
| AA+ | 19.88 | 21.12 |
| AA | 39.06 | - |
| AA- | 4.97 | 17.20 |
| A+ | 8.07 | 34.70 |
| | <u>100</u> | <u>100</u> |

The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

19. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:



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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|------------------|------------------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 4,242,544 | 1,779,570 | - |
| Available-for-sale | 182,853 | - | - |
| | 4,425,397 | 1,779,570 | - |
| | | | |
| | 2017 | | |
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 5,094,526 | 1,411,316 | - |
| Available-for-sale | 248,333 | - | - |
| | 5,342,859 | 1,411,316 | - |

20. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

21. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|----------------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 5,772 | 3,970,987 | 50.63 | 4,950 | 4,977,219 | 52.30 |
| Associated Companies / Directors | 4 | 407,921 | 5.20 | 5 | 448,032 | 4.71 |
| Insurance Companies | 3 | 15,634 | 0.20 | 3 | 34,335 | 0.36 |
| Banks and DFIs | 1 | 21 | 0.00 | 1 | 23 | 0.00 |
| NBFCs | 1 | 369 | 0.01 | 1 | 406 | 0.00 |
| Retirement Funds | 90 | 1,907,351 | 24.32 | 93 | 1,894,489 | 19.91 |
| Public Limited Companies | 5 | 50,369 | 0.64 | 8 | 208,667 | 2.19 |
| Others | 68 | 1,490,353 | 19.00 | 70 | 1,952,934 | 20.53 |
| | 5,944 | 7,843,005 | 100% | 5,131 | 9,516,105 | 100% |

22. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|--|-------------------------------|--|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| Foundation Securities (Pvt) Limited | 12% | Elixir Securities (Private) Limited | 12% |
| Optimus Capital Management (Private) Limited | 9% | Optimus Capital Management (Private) Limited | 10% |
| Arif Habib Securities Limited | 8% | Next Capital Securities Limited | 8% |
| EFG Hermes Securities Limited (Formerly Invest & Finance Securities Limited) | 7% | Arif Habib Securities Limited | 8% |
| JS Global Capital Limited | 7% | JS Global Capital Limited | 7% |
| Al Falah Securities (Private) Limited | 6% | Taurus Securities Limited | 7% |
| Paramount Capital Limited | 6% | BMA Capital Management Limited | 7% |
| Topline Securities Limited | 5% | Topline Securities Limited | 5% |
| Standard Capital (Private) Limited | 5% | Aba Ali Habib Securities (Private) Limited | 5% |
| Aba Ali Habib Securities (Private) Limited | 4% | Al Falah Securities (Private) Limited | 5% |

23. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

The Fund manager of the Fund is Mr. Asif Imtiaz. Other funds being managed by the fund manager are as follows :

- KSE Meezan Index Fund
- Meezan Financial Planning Fund of Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund-II
- Meezan Dedicated Equity Fund





24. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | | | | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | |
| Ms. Salma Kamila Khan ** | Director | | | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | | | |
| Mazhar Sharif *** | Director | Yes | Yes | | | |
| Mr. Naeem Sattar *** | Director | | | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of AI Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

25. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

27. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**



Meezan

Asset Allocation Fund

MEEZAN ASSET ALLOCATION FUND (MAAF)

Meezan Asset Allocation Fund (MAAF) is a Shariah compliant Asset Allocation Scheme. It is designed to help investors build wealth by long-term capital appreciation, diversification across asset classes and the flexibility to change investment portfolio exposure as per the outlook.





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoaib, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | Member |
| Mr. Mohammad Shoaib, CFA | Member |

TRUSTEE

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

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Bankislami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Metropolitan Bank Limited - Islamic Banking
Meezan Bank Limited
Bank Al Habib Limited
Faysal Bank Limited

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Objective

The fund aims to earn a potentially high return through asset allocation between Shariah Compliant Equity Instruments, Shariah Compliant Fixed Income and Money Market Instruments and any other Shariah Compliant instrument as permitted by the SECP and Shariah Advisor.

Investment Policy and Strategy

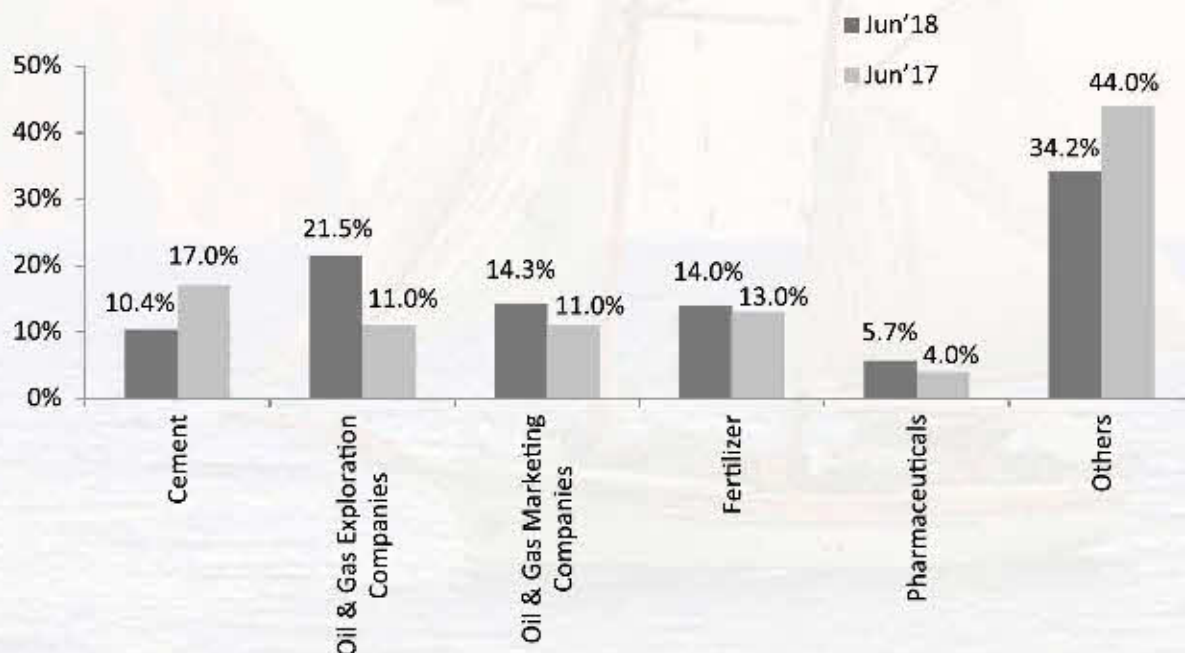
Based on the Fund Manager's outlook on asset classes, the allocation of the portfolio will actively be managed between the Equity asset classes and Fixed Income/Money Market asset classes in line with the macroeconomic view and outlook of such asset classes. For exposure to equities, this fund shall primarily be invested in Listed Islamic Equity while for exposure to Fixed Income/Money Market, the fund shall invest in Islamic Money Market and Islamic Fixed Income instruments as well as in Cash at Bank Accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks.

To comply with the regulatory limits enforced by the SECP, the fund can take a maximum exposure of up to 90% of its Net Assets in equity or fixed income; in case of an investment in REITs, a limit of 35% has been assigned by the regulator.

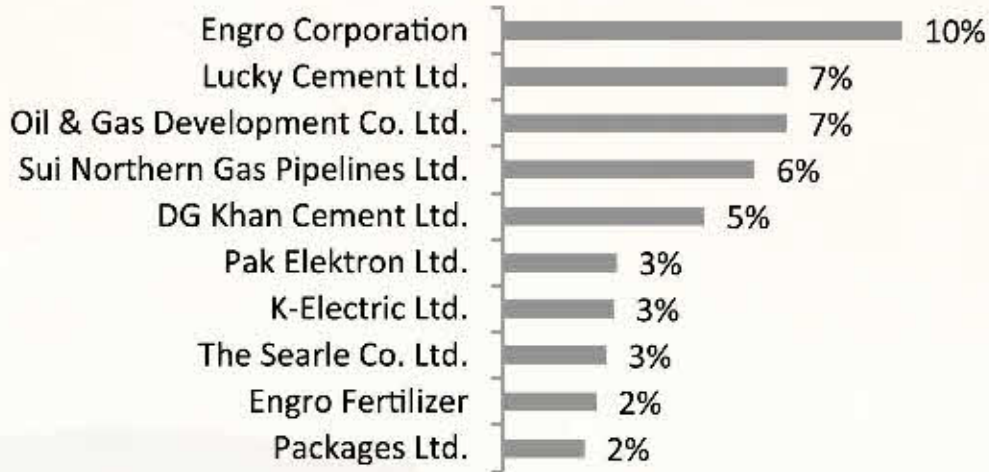
The fund manager looks to earn a higher than average return by actively managing the portfolio between equity and fixed income avenues in line with the movements of the stock market.

Asset Allocation

As on June 30, 2018, the fund's equity exposure was 83.8%, while 15.7% of the Net Assets was invested in bank deposits.



Top Holdings



Performance Review

Meezan Asset Allocation Fund posted a total loss of Rs. 380 million during FY18 as compared to total income of Rs. 15 million last year. Total loss comprised of realized and unrealized losses on investments of Rs. 181 million and Rs. 353 million respectively. Dividend income and profit on saving account with banks comprised of Rs. 127 million and 27 million respectively. After accounting for expenses of Rs. 81 million, the fund posted a net loss of Rs. 461 million. The net assets of the Fund as at June 30, 2018 were Rs. 2,877 million as compared to Rs. 3,251 million at the end of last year depicting a decline of 11.50%.

During the fiscal year 2018, Meezan Asset Allocation Fund provided a negative return of -12.49% to its investors.

| NAV (Dividend Adjusted) | 30-Jun-18 | 30-Jun-17 | Change |
|------------------------------|-----------|-----------|---------|
| Meezan Asset Allocation Fund | 44.53 | 50.89 | -12.49% |
| Benchmark Return | | | -6.88% |
| Under performance | | | -5.61% |

Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2018 an amount of Rs. 2.23 million was accrued as charity payable.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.



Summary of Actual Proxy Voted By the Fund

| | Resolutions | For | Against | Abstain |
|------------|-------------|------|---------|---------|
| Number | 5 | 5 | - | - |
| Percentage | 100% | 100% | - | - |

The proxy voting policy of Al Meezan Investment Management Limited, duly approved by Board of Directors of the Management Company, is available on the website www.almeezangroup.com. A detailed information regarding actual proxies voted by the Management Company in respect of funds is also available without charge, upon request, to all unit holders.

Breakdown of unit holdings by size:

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|-------------------|------------------|
| 1 - 9,999 | 1,592 |
| 10,000 - 49,999 | 642 |
| 50,000 - 99,999 | 106 |
| 100,000 - 499,999 | 76 |
| 500,000 and above | 16 |
| Total | 2,432 |



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor –Meezan Asset Allocation Fund

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

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 MAAF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MAAF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 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) |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| Engro Corporation Ltd | Fertilizer | 29.53% | 21.57% | 3.03% | 65% | (75.29) | |
| Pakistan Petroleum Ltd. | Oil & Gas Exploration Companies | 0.06% | 20.86% | 3.79% | 43% | 39.29 | 205.91 |
| Lucky Cement | Cement | 10.50% | 0.00% | 3.23% | 68% | (231.74) | |
| Sui Northern Gas Company | Oil & Gas Marketing Companies | 17.06% | 0.00% | 1.01% | 51% | (297.62) | |

Page 1 of 2



| | (i) | (ii)** | (iii) | (iv) | (v) | (vi) | |
|----------------------|-------------------------------|--------|-------|-------|-----|---------|--------|
| Fagro Fertilizer | Fertilizer | 29.63% | 7.32% | 0.12% | 77% | (32.84) | |
| Pakistan State Oil** | Oil & Gas Marketing Companies | 20.44% | 0.57% | 0.33% | 19% | 119.42 | 293.11 |
| The Searle Company | Pharmaceuticals | 12.41% | 0.00% | 0.13% | 51% | 13.04 | 314.86 |

* 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.

*** PSO scrip has been considered compliant due to circular debt issue.

- ii. On the basis of information provided by the management, all operations of MAAF for the year ended June 30, 2018 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 MAAF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

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
Shari'ah Advisor

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ASSET ALLOCATION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Asset Allocation Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Asset Allocation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|---|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |

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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|--|
| | <p>prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | |
| 2 | <p>Net Asset Value</p> | |
| | <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 2,433 million and balances with banks aggregated to Rs 454 million.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ali

A·F·FERGUSON&Co.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


Chartered Accountants

Karachi

Date: September 19, 2018





STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-------------------|
| Assets | | | |
| Balances with banks | 4 | 454,128 | 569,028 |
| Investments | 5 | 2,433,085 | 2,599,168 |
| Receivable against conversion of units | | 9,679 | 224,341 |
| Dividend receivable | | 5,809 | 10,545 |
| Advances, deposits and other receivables | 6 | 8,034 | 7,076 |
| Preliminary expenses and floatation costs | 7 | 507 | 687 |
| Total assets | | 2,911,242 | 3,410,845 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited -Management Company | 8 | 12,673 | 10,736 |
| Payable to the Central Depository Company of Pakistan Limited -Trustee | 9 | 340 | 392 |
| Payable to the Securities and Exchange Commission of Pakistan | 10 | 2,896 | 1,350 |
| Payable to Meezan Bank Limited | | 44 | 2,341 |
| Payable against redemption and conversion of units | | 1,669 | 25,594 |
| Payable against purchase of investments | | 2,190 | - |
| Dividend payable | | - | 42,321 |
| Accrued expenses and other liabilities | 11 | 14,266 | 76,676 |
| Total liabilities | | 34,078 | 159,410 |
| NET ASSETS | | 2,877,164 | 3,251,435 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 2,877,164 | 3,251,435 |
| CONTINGENCIES AND COMMITMENTS | 12 | | |
| NUMBER OF UNITS IN ISSUE | | 64,611,605 | 63,897,322 |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | | 44.5301 | 50.8900 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

For AI Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

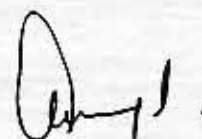
| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-----------------|
| Income | | | |
| Dividend income | | 127,013 | 38,721 |
| Profit on balances with banks | | 27,095 | 12,038 |
| Other Income | | - | 8 |
| Realised (loss) / gain on sale of investments - net | | (180,663) | 37,275 |
| Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.2 | (353,078) | (72,677) |
| | | (533,741) | (35,402) |
| Total (loss) / income | | (379,633) | 15,365 |
| Expenses | | | |
| Remuneration of Al Meezan Investment Management Limited - Management Company | 8.1 | 45,720 | 21,315 |
| Sindh Sales Tax on remuneration of the Management Company | 8.2 | 5,944 | 2,771 |
| Allocated expenses | 8.3 | 3,048 | 1,421 |
| Selling and marketing expenses | 8.4 | 12,192 | 3,518 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 9.1 | 4,026 | 2,277 |
| Sindh Sales Tax on remuneration of the Trustee | 9.2 | 523 | 296 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 10 | 2,896 | 1,350 |
| Brokerage expense | | 2,120 | 3,416 |
| Auditors' remuneration | 13 | 306 | 287 |
| Amortisation of preliminary expenses and floatation costs | 7 | 180 | 180 |
| Printing expenses | | 88 | 21 |
| Legal and professional charges | | 76 | 238 |
| Fee and subscription charges | | 644 | 749 |
| Bank and settlement charges | | 969 | 1,144 |
| Charity expense | 11.1 | 2,235 | 555 |
| Provision for Sindh Workers' Welfare Fund | 11.3 | - | 10,080 |
| Total expenses | | (80,967) | (49,618) |
| Net (loss) from operating activities | | (460,600) | (34,253) |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | 3.1 | - | 516,227 |
| Net (loss) / income for the year before taxation | | (460,600) | 481,974 |
| Taxation | 16 | - | - |
| Net (loss) / income for the year after taxation | | (460,600) | 481,974 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | - | - |
| Income already paid on units redeemed | | - | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | - | - |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director

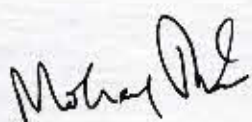


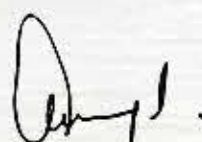
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|---------|
| Net (loss) / income for the year after taxation | (460,600) | 481,974 |
| Other comprehensive income / (loss) for the year | - | - |
| Total comprehensive (loss) / income for the year | (460,600) | 481,974 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2018

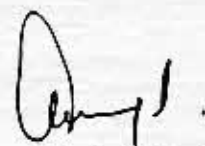
| | 2018 | | |
|---|------------------|-------------------------------|-----------------------|
| | Capital Value | Undistributed income / (loss) | Total |
| | (Rupees in '000) | | |
| Net assets at beginning of the year | 3,253,053 | (1,618) | 3,251,435 |
| Issuance of 22,150,420 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 1,127,235 | - | 1,127,235 |
| - Element of loss | (82,042) | - | (82,042) |
| Total proceeds on issuance of units | <u>1,045,193</u> | <u>-</u> | <u>1,045,193</u> |
| Redemption of 21,436,137 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 1,090,885 | - | 1,090,885 |
| - Element of income | (132,021) | - | (132,021) |
| Total payments on redemption of units | <u>958,864</u> | <u>-</u> | <u>958,864</u> |
| Total comprehensive loss for the year | <u>-</u> | <u>(460,600)</u> | <u>(460,600)</u> |
| Distribution during the year | <u>-</u> | <u>-</u> | <u>-</u> |
| Net loss for the year less distribution | <u>-</u> | <u>(460,600)</u> | <u>(460,600)</u> |
| Net assets at end of the year | 3,339,382 | (462,218) | 2,877,164 |
| Undistributed loss carried forward | | | |
| - Realised loss | | (109,140) | |
| - Unrealised loss | | (353,078) | |
| | | <u>(462,218)</u> | |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | |
| - Excluding capital gains | | - | |
| | | <u>-</u> | |
| | | <u>-</u> | |
| | | <u>-</u> | |
| Net assets value per unit at beginning of the year | | | <u>50.8900</u> |
| Net assets value per unit at end of the year | | | <u>44.5301</u> |
| | | | <u>June 30, 2017</u> |
| | | | <u>Rupees in '000</u> |
| Capital Value | | | 450,267 |
| Undistributed income brought forward | | | |
| - Realised | | | (5) |
| - Unrealised | | | 9,530 |
| Net assets at beginning of the year | | | <u>459,792</u> |
| Issuance of 70,010,805 units | | | 4,254,314 |
| Redemption of 15,118,805 units | | | (935,301) |
| | | | <u>3,319,013</u> |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | | | <u>(516,227)</u> |
| Realised gain on sale of investments - net | | | <u>37,275</u> |
| Net diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | | | <u>(72,677)</u> |
| Other net income for the year | | | 517,376 |
| Total comprehensive income for the year | | | <u>481,974</u> |
| Interim distribution for the year ended June 30, 2017 | | | |
| - cash dividend @ 19.00% (Rs. 9.5 per unit) | | | <u>(493,117)</u> |
| Net income for the year less distribution | | | <u>(11,143)</u> |
| Net assets at end of the year | | | <u>3,251,435</u> |
| Represented by: | | | |
| Capital value | | | 3,253,053 |
| Undistributed loss carried forward | | | |
| - Realised loss | | | 71,059 |
| - Unrealised loss | | | <u>(72,677)</u> |
| | | | <u>3,251,435</u> |
| | | | <u>(Rupees)</u> |
| Net assets value per unit at beginning of the year | | | <u>51.0600</u> |
| Net assets value per unit at end of the year | | | <u>50.8900</u> |

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the year before taxation | (460,600) | 481,974 |
| Adjustments for: | | |
| Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 353,078 | 72,677 |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | - | (516,227) |
| Amortisation of preliminary expenses and floatation costs | 180 | 180 |
| | (107,342) | 38,604 |
| (Increase) / Decrease in assets | | |
| Investments - net | (186,995) | (2,397,517) |
| Dividend receivable | 4,736 | (9,765) |
| Advances, deposits and other receivables | (958) | (3,724) |
| | (183,217) | (2,411,006) |
| (Decrease) / Increase in liabilities | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 1,937 | 8,287 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | (52) | 322 |
| Payable to the Securities and Exchange Commission of Pakistan | 1,546 | 1,300 |
| Payable against purchase of investments | 2,190 | (5,894) |
| Payable to Meezan Bank Limited | (2,297) | 2,182 |
| Accrued expenses & other liabilities | (62,410) | 75,117 |
| | (59,086) | 81,314 |
| Net cash (used in) operating activities | (349,645) | (2,291,088) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net receipts from issuance of units | 1,259,855 | 4,126,117 |
| Net payments against redemption of units | (982,789) | (910,506) |
| Cash pay-out against distribution | (42,321) | (451,247) |
| Net cash generated from financing activities | 234,745 | 2,764,364 |
| Net (decrease) / increase in cash and cash equivalents | (114,900) | 473,276 |
| Cash and cash equivalents at the beginning of the year | 569,028 | 95,752 |
| Cash and cash equivalents at the end of the year | 454,128 | 569,028 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Asset Allocation Fund was established under a trust deed executed between Al Meezan Investment Management Company (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was executed on November 25, 2015 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (NBFC Regulations). The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at Ground floor Block B, Finance Trade Centre (FTC), Shahrah-e-Faisal, Karachi 74400, Pakistan. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.2** The objective of the Fund is to earn potentially high return through asset allocation between Shariah Compliant Equity Instruments, Shariah Compliant Fixed Income Instruments, Shariah Compliant Money Market Instruments and any other Shariah Compliant instrument as permitted by the SECP and Shariah Advisor.
- 1.3** The Fund is an open - end Fund listed on the Pakistan Stock Exchange Limited. The Fund is categorized as a Shariah Compliant Asset Allocation Scheme. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.4** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.5** The titles to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from



the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|--|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.15 and 16)

2.5 Accounting convention

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

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in note 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:



a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective yield method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on equity securities

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.



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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs 49.979 million in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.11 During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income'

(representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in other comprehensive income in the period in which they arise.
- 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.
- Profit on bank deposit is recognised on time proportion basis using the effective yield method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund.

3.15 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates. The charge for current tax also include adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates.

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



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

3.16 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.17 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

| 4. BALANCES WITH BANKS | Note | 2018 (Rupees in '000) | 2017 |
|-------------------------|------|--------------------------|----------------|
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 449,911 | 732,490 |
| Current account | | 4,217 | 12,029 |
| | | 454,128 | 744,519 |

4.1 Profit and loss sharing accounts of the Fund carries profit rates ranging from 2% to 6.55% per annum (2017: 2% to 5.70% per annum).

| 5. INVESTMENTS | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------------|
| At fair value through profit or loss - held for trading | | | |
| Listed equity securities | 5.1 | 2,433,085 | 2,599,168 |

5.1 Investments in equity securities - listed

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each unless stated otherwise.

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Percentage in relation to market value of total investments |
|---|-------------------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | ----- (Number of shares held) ----- | | | | (Rupees in '000) | | % | |
| SECTOR | | | | | | | | |
| Automobile assembler | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 74,000 | - | - | - | 74,000 | 64,209 | 23,413 | 0.96% |
| Pak Suzuki Motor Company Limited | - | 15,000 | - | - | 15,000 | 9,400 | 5,901 | 0.24% |
| Gandhara Industries Limited | - | 50,000 | - | - | 50,000 | 43,250 | 35,335 | 1.45% |
| Automobile parts & accessories | | | | | | | | |
| Thal Limited (face value Rs. 5) | 10,000 | - | - | 10,000 | - | - | - | 0.00% |
| Gandhara Nissan | - | 136,098 | - | 5,000 | 131,098 | 29,961 | 23,554 | 0.97% |
| Cable and electrical goods | | | | | | | | |
| Pak Elektron Limited | 907,000 | 400,000 | - | 1,307,000 | - | - | - | 0.00% |

| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Percentage in relation to market value of total investments |
|--|-------------------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | ----- (Number of shares held) ----- | | | | (Rupees in '000) | | | % |
| Chemicals | | | | | | | | |
| Engro Polymer & Chemicals Limited | 1,200,000 | 663,000 | - | 750,000 | 1,113,000 | 38,626 | 34,904 | 1.43% |
| KCI Pakistan Limited | 55,800 | 10,000 | - | - | 65,800 | 71,319 | 52,739 | 2.17% |
| Cement | | | | | | | | |
| Cherat Cement Company Limited | 256,000 | - | - | - | 256,000 | 45,768 | 24,891 | 1.02% |
| Dewan Cement Limited | - | 500,000 | - | 50,000 | 450,000 | 10,463 | 8,100 | 0.33% |
| D.G. Khan Cement Company Limited | 829,000 | 125,000 | - | 465,000 | 489,000 | 98,316 | 55,986 | 2.30% |
| Fauji Cement Company Limited | 50,000 | 100,000 | - | 150,000 | - | - | - | 0.00% |
| Kohat Cement Company Limited | 50,000 | 100,000 | - | - | 150,000 | 31,597 | 18,461 | 0.76% |
| Lucky Cement Limited | 297,900 | 40,000 | - | - | 337,900 | 276,788 | 171,630 | 7.05% |
| Maple Leaf Cement Limited | 558,500 | 407,312 | - | 581,700 | 384,112 | 30,389 | 19,490 | 0.80% |
| Pioneer Cement Limited | 320,500 | - | - | 275,000 | 45,500 | 5,915 | 2,132 | 0.09% |
| Engineering | | | | | | | | |
| Crescent Steel and Allied Products Limited | 177,000 | - | - | 106,200 | 70,800 | 16,891 | 6,455 | 0.27% |
| International Industries Limited | 65,000 | 155,000 | - | 100,000 | 120,000 | 31,714 | 27,875 | 1.15% |
| International Steels Limited | 194,000 | 200,000 | - | 150,000 | 244,000 | 30,372 | 24,815 | 1.02% |
| K.S.B. Pumps Company Limited | 6,000 | - | - | 6,000 | - | - | - | 0.00% |
| Mughal Iron & Allied Steels | - | 35,000 | - | - | 35,000 | 2,603 | 2,150 | 0.09% |
| Fertilizer | | | | | | | | |
| Dawood Hercules Corporation Limited | 195,000 | - | - | 15,000 | 180,000 | 24,545 | 19,940 | 0.82% |
| Engro Corporation Limited (note 5.1.1) | 1,072,000 | 180,000 | - | 530,000 | 722,000 | 233,311 | 226,606 | 9.31% |
| Engro Fertilizers Limited | 1,485,000 | 980,000 | - | 350,000 | 2,115,000 | 119,510 | 158,435 | 6.51% |
| Food and personal care products | | | | | | | | |
| Engro Foods Limited | 90,700 | - | - | 90,000 | 700 | 85 | 62 | 0.00% |
| Al Shaheer Corporation Limited | 318,750 | - | - | 315,000 | 3,750 | 150 | 102 | 0.00% |
| Oil and gas exploration companies | | | | | | | | |
| Oil and Gas Development Company Limited | 1,768,300 | 1,185,000 | - | 870,000 | 2,083,300 | 295,428 | 324,203 | 13.32% |
| Mari Petroleum Company Limited | 33,980 | 4,480 | - | - | 38,460 | 60,230 | 57,928 | 2.38% |
| Pakistan Oilfields Limited | 56,000 | 25,000 | - | - | 81,000 | 42,548 | 54,415 | 2.24% |
| Pakistan Petroleum Limited | 263,200 | 611,400 | - | - | 874,600 | 156,527 | 187,952 | 7.72% |
| Oil and gas marketing companies | | | | | | | | |
| Hascal Petroleum Limited | 187,000 | 67,900 | - | 25,500 | 229,400 | 70,462 | 71,977 | 2.96% |
| Hi-Tech Lubricants Limited | 242,800 | - | - | 28,900 | 213,900 | 23,317 | 21,672 | 0.89% |
| Sui Northern Gas Pipelines Limited | 1,479,500 | 481,000 | - | 324,100 | 1,636,400 | 231,641 | 164,000 | 6.74% |
| Sui Southern Gas Company Limited | 806,500 | 780,000 | - | 806,500 | 780,000 | 29,868 | 25,600 | 1.05% |
| Pakistan State Oil Company Limited | 63,200 | 376,000 | 77,840 | 104,500 | 412,540 | 147,142 | 131,316 | 5.40% |
| Paper and Board | | | | | | | | |
| Cherat Packaging Limited | 10,000 | 1,350 | - | - | 11,350 | 2,546 | 1,630 | 0.07% |
| Packages Limited | 102,900 | - | - | - | 102,900 | 71,575 | 50,392 | 2.07% |
| Pharmaceuticals | | | | | | | | |
| Abbott Laboratories (Pakistan) Limited | 36,050 | 15,000 | - | 32,000 | 19,050 | 16,302 | 13,048 | 0.54% |
| AGP Limited | - | 422,500 | - | - | 422,500 | 35,626 | 37,514 | 1.54% |
| Ferozsons Laboratories Limited | 1,850 | - | - | 1,850 | - | - | - | 0.00% |
| GlaxoSmithKline Consumer Healthcare Limited | 122,000 | 20,000 | - | 45,000 | 97,000 | 21,473 | 39,290 | 1.61% |
| GlaxoSmithKline Pakistan Limited | 600 | 10,000 | - | - | 10,600 | 1,978 | 1,760 | 0.07% |
| The Searle Company Limited | 176,920 | 5,000 | 36,384 | - | 218,304 | 92,629 | 74,114 | 3.05% |
| Power generation and distribution | | | | | | | | |
| K Electric Limited (face value Rs. 3.5) | 14,155,000 | 700,000 | - | 2,500,000 | 12,355,000 | 84,829 | 70,176 | 2.88% |
| The Hub Power Company Limited | 238,000 | 500,200 | - | - | 738,200 | 81,872 | 68,032 | 2.80% |
| Refinery | | | | | | | | |
| Attock Refinery Limited | 52,000 | 5,000 | - | 57,000 | - | - | - | 0.00% |
| National Refinery Limited | 40,000 | - | - | 16,000 | 24,000 | 17,424 | 10,632 | 0.44% |
| Textile composite | | | | | | | | |
| Nishat Mills Limited | 167,000 | 290,000 | - | - | 457,000 | 72,298 | 64,400 | 2.65% |
| Commercial Banks | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | - | 104,410 | - | 104,000 | 410 | 21 | 34 | 0.00% |
| Technology and Communication | | | | | | | | |
| Pakistan Telecommunication Company Systems Limited | - | 500,000 | - | 500,000 | - | - | - | 0.00% |
| Avanceon Limited | - | 70,000 | - | - | 70,000 | 6,649 | 7,085 | 0.29% |
| | | 30,000 | | | 30,000 | 1,620 | 1,987 | 0.08% |





| Name of the investee company | As at July 01, 2017 | Acquired during the year | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Percentage in relation to market value of total investments |
|--|-------------------------------------|--------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|---|
| | ----- (Number of shares held) ----- | | | | (Rupees in '000) | | | % |
| Vanaspati & Allied Industries | | | | | | | | |
| Unity Foods Limited | - | 250,000 | - | - | 250,000 | 6,976 | 7,320 | 0.30% |
| Miscellaneous | | | | | | | | |
| Shifa International Hospital Limited | 10,000 | - | - | 10,000 | - | - | - | 0.00% |
| Right Shares | | | | | | | | |
| Engro Polymer & Chemicals Limited | - | - | 411,810 | - | 411,810 | - | 3,632 | 0.00% |
| Total as at June 30, 2018 | | | | | | 2,786,163 | 2,433,085 | 100% |
| Total as at June 30, 2017 | | | | | | 2,671,845 | 2,599,168 | 100% |

5.1.1 Investments include shares with market value of Rs 32.96 million (2017: Rs 34.22 million) which have been pledged with national clearing company limited for guaranteeing settlement of the fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by SECP

5.1.2 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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 of Part I of the Second Schedule to 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, The Searle Company Limited and Pakistan State Oil Company Limited (2017: The Searle Company Limited and Al Shaheer Corporation Limited) have issued bonus shares after withholding five percent shares on account of tax on bonus shares. The shares withheld haven't been deposited by the respective Companies with the Government Treasury due to the pending adjudication of the aforementioned Constitutional Petition and the related stay order in this regard.

| 5.2 Unrealised diminution on re-measurement of investments classified as Financial assets at fair value through profit or loss | Note | 2018 | 2017 |
|--|------|--------------------|-------------|
| | | (Rupees in '000) | |
| Market value of investments | 5.1 | 2,433,085 | 2,599,168 |
| Carrying value of investments | 5.1 | (2,786,163) | (2,671,845) |
| | | (353,078) | (72,677) |

| 6. ADVANCES, DEPOSITS AND OTHER RECEIVABLES | | 2018 | 2017 |
|--|-----|------------------|-------|
| | | (Rupees in '000) | |
| Security deposit with Central Depository Company of Pakistan Limited | | 100 | 100 |
| Security deposit with National Clearing Company of Pakistan Limited | | 2,500 | 2,500 |
| Advance against Initial Public Offer subscription | | 500 | - |
| Profit receivable on saving accounts with banks | | 2,464 | 2,280 |
| Advance tax | 6.1 | 2,470 | 2,196 |
| | | 8,034 | 7,076 |

- 6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2018, withholding tax on dividend paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends as at June 30, 2018 amounts to Rs 2.470 million

Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted has been shown as other receivables as at June 30, 2018. In the opinion of the management, the amount of tax deducted at source will be refunded as the Fund has already claimed refunds against the tax so withheld, through filing of annual tax return.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-------|
| 7. PRELIMINARY EXPENSES AND FLOATATION COSTS | | | |
| At the beginning of the year | | 687 | 867 |
| Amortisation during the year | 7.1 | (180) | (180) |
| At the end of the year | | 507 | 687 |

- 7.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund i.e. April 21, 2016 restricted to one percent of Pre-IPO capital, and are being amortised over a period of five years in accordance with the trust deed of the Fund.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|--------|
| 8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY | | | |
| Management fee payable | 8.1 | 3,621 | 3,967 |
| Sindh Sales Tax payable on remuneration of the Management Company | 8.2 | 471 | 516 |
| Accounting and operational charges payable | 8.3 | 241 | 264 |
| Sales Load Payable | | 212 | 2,187 |
| Sindh Sales Tax Payable on Sales Load | | 28 | 284 |
| Selling and marketing expenses payable | 8.4 | 8,100 | 3,518 |
| | | 12,673 | 10,736 |

- 8.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of an Asset Allocation Scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1.5% (2017:1.5%) per annum of the average net assets of the Fund during the year ended 30 June 2018. The remuneration is payable to the Management Company monthly in arrears.
- 8.2** During the year, an amount of Rs 5.944 million (2017: Rs.2.771 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs.5.989 million (2017: Rs. 2.319 million) has been paid to the Management company which acts as a collecting agent.
- 8.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.





- 8.4** The Securities and Exchange Commission of Pakistan (SECP) vide a circular no. 40 SCD/PRDD/ Circular/361/2016 dated December 30, 2016, allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from January 01, 2017 till December 31, 2019). Maximum cap of selling and marketing expenses shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee fee payable | 9.1 | 301 | 347 |
| Sindh Sales Tax payable on trustee fee | 9.2 | 39 | 45 |
| | | 340 | 392 |

- 9.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1 billion Rs 0.7 million or 0.2% per annum of net assets, whichever is higher.
- exceeding Rs 1 billion Rs 2.0 million plus 0.1% per annum of net assets exceeding Rs 1 billion.

- 9.2** During the year, an amount of Rs 0.523 million (2017: Rs.0.296 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs.0.529 million (2017: Rs. 0.268 million) was paid to the Trustee which acts as a collecting agent.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a collective investment scheme classified as an asset allocation scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------------|
| 11. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 270 | 145 |
| Brokerage payable | | 745 | 2,114 |
| Shariah advisor fee payable | | 269 | 269 |
| Charity Payable | 11.1 | 2,186 | 551 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on management fee | 11.2 | 482 | 482 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on sales load | | 145 | 145 |
| Withholding tax payable | | 28 | 62,833 |
| Capital gain tax payable | | 4 | - |
| Provision for Sindh Workers' Welfare Fund | 11.3 | 10,080 | 10,080 |
| Zakat payable | | 57 | 57 |
| | | 14,266 | 76,676 |

- 11.1** According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 2.186 million (June 30, 2017: Rs 0.551 million) is outstanding in this regard. None of the directors of the Management Company were interested in any of donees.

- 11.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended 30 June 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 0.627 million is being retained in the financial statements as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.01 (2017: Re 0.01) per unit.

- 11.3** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.



The Management Company has recognised SWWF charge for the period from April 21, 2016 to June 30, 2018, amounting to Rs. 10.08 million. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.16 per unit (2017 Re 0.16 per unit).

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

13. AUDITORS' REMUNERATION

| | 2018 | 2017 |
|------------------------------|------------------|------------|
| | (Rupees in '000) | |
| Annual audit fee | 212 | 135 |
| Half yearly review | 75 | 75 |
| Fee for other certifications | - | 60 |
| Out of pocket expenses | 19 | 17 |
| | 306 | 287 |

14. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 2.66% which includes 0.32% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Asset allocation scheme.

15. PERFORMANCE TABLE

| | 2018 | 2017 | 2016 |
|--|------------------|------------------|--------------------|
| Net assets (Rs in '000) (ex-distribution) | 2,877,164 | 3,251,435 | 459,792 |
| Net assets value / redemption price per unit as at 30 June (Rs.) (ex-distribution) | 44.5301 | 50.89 | 51.06 |
| Offer price per unit as at June 30 (Rs.) (ex-distribution) | 46.0397 | 52.62 | 53.09 |
| Highest offer price per unit (Rs.) | 53.39 | 70.17 | 54.09 |
| Lowest offer price per unit (Rs.) | 42.78 | 52.62 | 51.71 |
| Highest redemption price per unit (Rs.) | 51.64 | 67.87 | 52.03 |
| Lowest redemption price per unit (Rs.) | 41.38 | 50.89 | 49.74 |
| Distribution (%) | - | 19 | 0.64 |
| Date of distribution | - June 23, 2017 | | June 29, 2016 |
| Total return (%) | -12.5 | 18.1 | 2.8 |
| | One Year | Two Years | Three Years |
| Average annual return (%) as at June 30, 2018 | -12.5 | 1.66 | 10.18 |

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

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

16. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year.

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

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 17.1** Connected persons include Al Meezan Asset Management Company limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 17.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 17.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 17.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

| | 2018 | 2017 |
|---|------------------|--------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Company (Management Company) | | |
| Transactions during the year | | |
| Remuneration charged | 45,720 | 21,315 |
| Sindh Sales Tax on remuneration of the Management Company | 5,944 | 2,771 |
| Allocated expenses | 3,048 | 1,421 |
| Selling and marketing expenses | 12,192 | 3,518 |
| Balances | | |
| Remuneration Payable | 3,621 | 3,967 |
| Sindh Sales Tax on management fee | 471 | 516 |
| Sales load payable | 212 | 2,187 |
| Sindh Sales Tax on sales load | 28 | 284 |
| Allocated expenses | 241 | 264 |
| Selling and marketing expenses | 8,100 | 3,518 |
| Central Depository Company Pakistan Limited (Trustee) | | |
| Transactions during the year | | |
| Remuneration of the Trustee | 4,026 | 2,277 |
| Sindh Sales Tax on remuneration of the Trustee | 523 | 296 |
| Balances | | |
| Trustee fee payable | 301 | 347 |
| Sindh Sales Tax payable on trustee fee | 39 | 45 |
| Deposits | 100 | 100 |



| | 2018 | 2017 |
|--|------------------|---------|
| | (Rupees in '000) | |
| Meezan Bank Limited | | |
| Transactions during the year | | |
| Profit on savings account | 3,009 | 3,715 |
| Issue of 104,410 (2017: 6,000) units | 7,596 | 390 |
| Redemption of 104,000 (2017: 6,000) units | 7,454 | 476 |
| Dividend income | 180 | - |
| Balances | | |
| Sales Load Payable | 39 | 2,072 |
| Sindh Sales tax on Sales Load Payable | 5 | 269 |
| Bank balance | 97,801 | 154,869 |
| Profit receivable on savings account | 190 | 685 |
| Outstanding 410 (2017: Nil) units - at net asset value | 34 | - |
| Directors and their close family members and key management personnel of the Management Company | | |
| Investment of 2,012 Units (2017: 21,746 units) | 90 | 1,107 |
| Issue of 1,077 (2017: 66,156) units | 50 | 4,056 |
| Redemption of 20,810 (2017: 44,410) units | 956 | 2,802 |
| Dividend income | - | 177 |

17.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

18. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | |
|--|-----------------------|--------------------------------------|--------------------|-----------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 454,128 | - | - | 454,128 |
| Investments | - | 2,433,085 | - | 2,433,085 |
| Receivable against conversion of units | 9,679 | - | - | 9,679 |
| Dividend receivable | 5,809 | - | - | 5,809 |
| Deposits and other receivables | 5,064 | - | - | 5,064 |
| | 474,680 | 2,433,085 | - | 2,907,765 |

| | 2018 | | |
|---|--------------------------------------|-------------------|--------|
| | At fair value through profit or loss | At amortised cost | Total |
| | Rupees in '000 | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment management Company | | | |
| - Management Company | - | 12,673 | 12,673 |
| Payable to the Central Depository Company Of Pakistan Limited | | | |
| - Trustee | - | 340 | 340 |
| Payable against redemption and conversion of units | - | 1,669 | 1,669 |
| Payable against purchase of investments | - | 2,190 | 2,190 |
| Payable to Meezan Bank Limited | - | 44 | 44 |
| Accrued expenses and other liabilities | - | 3,470 | 3,470 |
| | - | 20,386 | 20,386 |

| | 2017 | | | Total |
|--|-----------------------|--------------------------------------|--------------------|------------------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | |
| -----Rupees in '000----- | | | | |
| Financial assets | | | | |
| Balances with banks | 569,028 | - | - | 569,028 |
| Investments | - | 2,599,168 | - | 2,599,168 |
| Receivable against conversion of units | 224,341 | - | - | 224,341 |
| Dividend receivable | 10,545 | - | - | 10,545 |
| Deposits and other receivables | 4,880 | - | - | 4,880 |
| | <u>808,794</u> | <u>2,599,168</u> | <u>-</u> | <u>3,407,962</u> |

| | 2017 | | | Total |
|---|--------------------------------------|-------------------|--|---------------|
| | At fair value through profit or loss | At amortised cost | | |
| -----Rupees in '000----- | | | | |
| Financial liabilities | | | | |
| Payable to Al Meezan Investment management Company | | | | |
| - Management Company | - | 10,736 | | 10,736 |
| Payable to the Central Depository Company Of Pakistan Limited | | | | |
| - Trustee | - | 392 | | 392 |
| Payable against redemption and conversion of units | - | 25,594 | | 25,594 |
| Dividend payable | - | 42,321 | | 42,321 |
| Payable to Meezan Bank Limited | - | 2,341 | | 2,341 |
| Accrued expenses and other liabilities | - | 3,079 | | 3,079 |
| | - | <u>84,463</u> | | <u>84,463</u> |

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

19.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Yield / Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.



a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 0.02 million (2017: Rs. 0.02 million).

b) Sensitivity analysis for fixed rate instruments

As at 30 June 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | Effective yield / interest rate (%) | 2018 | | | Total | |
|--|-------------------------------------|---------------------------------------|--|--------------------|-----------|---|
| | | Exposed to yield / interest rate risk | | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2% 6.55% | 449,911 | - | - | 4,217 | 454,128 |
| Investments | | - | - | - | 2,433,085 | 2,433,085 |
| Receivable against conversion of units | | - | - | - | 9,679 | 9,679 |
| Dividend receivable | | - | - | - | 5,809 | 5,809 |
| Deposits and other receivables | | - | - | - | 5,064 | 5,064 |
| | | 449,911 | - | - | 2,457,854 | 2,914,478 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Asset Management Company Management Company | | - | - | - | 12,673 | 12,673 |
| Payable to the Central Depository Company Pakistan Limited Trustee | | - | - | - | 340 | 340 |
| Payable against redemption and conversion of units | | - | - | - | 1,669 | 1,669 |
| Payable against purchase of investments | | - | - | - | 2,190 | 2,190 |
| Payable to Meezan bank | | - | - | - | 44 | 44 |
| Accrued expenses and other liabilities | | - | - | - | 3,470 | 3,470 |
| | | - | - | - | 20,386 | 576,696 |
| On-balance sheet gap (a) | | 449,911 | - | - | 2,437,468 | 2,337,782 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 449,911 | - | - | - | - |
| Cumulative profit rate sensitivity gap | | 449,911 | 449,911 | 449,911 | - | - |

| | 2017 | | | | Total | |
|--|-------------------------------------|---------------------------------------|--|--------------------|-----------|---|
| | Effective yield / interest rate (%) | Exposed to yield / Interest rate risk | | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2% - 5.7% | 732,490 | - | - | 744,519 | |
| Investments | | | | 12,029 | 2,599,168 | |
| Receivable against conversion of units | | - | - | - | 224,341 | |
| Receivable against issue of units | | - | - | - | 9,679 | |
| Dividend receivable | | - | - | - | 10,545 | |
| Deposits and other receivables | | - | - | - | 4,780 | |
| | | 732,490 | - | - | 2,860,542 | |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Asset Management Company Management Company | | | | | 10,736 | |
| Payable to the Central Depository Company Pakistan Limited Trustee | | | | | 392 | |
| Payable against redemption and conversion of units | | | | | 25,594 | |
| Dividend payable | | - | - | - | 42,321 | |
| Accrued expenses and other liabilities | | - | - | - | 3,079 | |
| | | - | - | - | 82,122 | |
| On-balance sheet gap (a) | | 732,490 | - | - | 2,778,420 | |
| Off-balance sheet financial instruments | | - | - | - | - | |
| Off-balance sheet gap (b) | | - | - | - | - | |
| Total profit rate sensitivity gap (a+b) | | 732,490 | - | - | - | |
| Cumulative profit rate sensitivity gap | | 732,490 | 732,490 | 732,490 | - | |

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 1% increase / decrease in 30 KSE index on June 30, 2018, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 24.331 million (2017: Rs. 25.992 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as available-for-sale or financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30



Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

19.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | Financial instruments with no fixed maturity | Total |
|--|----------------|---|--|--------------------------------------|-------------------|--|------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto one year | More than 5 years | | |
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 454,128 | - | - | - | - | - | 454,128 |
| Investments | - | - | - | - | - | 2,433,085 | 2,433,085 |
| Receivable against conversion of units | 9,679 | - | - | - | - | - | 9,679 |
| Dividend receivable | 5,809 | - | - | - | - | - | 5,809 |
| Deposits and other receivables | 5,064 | - | - | - | - | - | 5,064 |
| | 474,680 | - | - | - | - | 2,433,085 | 2,907,765 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Management Company Limited Management Company | 12,673 | - | - | - | - | - | 12,673 |
| Payable to Central Depository Company Of Pakistan Limited Trustee | 340 | - | - | - | - | - | 340 |
| Payable against redemption and conversion of units | 1,669 | - | - | - | - | - | 1,669 |
| Payable against purchase of investments | 2,190 | - | - | - | - | - | 2,190 |
| Accrued expenses and other liabilities | 744 | 2,725 | - | - | - | - | 3,469 |
| Payable to Meezan bank | 44 | - | - | - | - | - | 44 |
| | 17,660 | 2,725 | - | - | - | - | 20,385 |
| Net assets / (liabilities) | 457,020 | (2,725) | - | - | - | 2,433,085 | 2,887,380 |

| | 2017 | | | | | Total |
|---|----------------|---|--|--------------------------------------|-------------------|-----------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto one year | More than 5 years | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 569,028 | - | - | - | - | 569,028 |
| Investments | | | | | 2,599,168 | 2,599,168 |
| Receivable against conversion of units | 224,341 | - | - | - | - | 224,341 |
| Dividend receivable | 10,545 | - | - | - | - | 10,545 |
| Deposits and other receivables | 4,780 | - | - | - | - | 4,780 |
| | 808,694 | | | | 2,599,168 | 3,407,862 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Company - Management Company | 10,736 | - | - | - | - | 10,736 |
| Payable to Central Depository Company Of Pakistan Limited - Trustee | 392 | - | - | - | - | 392 |
| Payable against redemption and conversion of units | 25,594 | - | - | - | - | 25,594 |
| Dividend payable | 42,321 | - | - | - | - | 42,321 |
| Accrued expenses and other liabilities | 2,114 | 965 | - | - | - | 3,079 |
| Payable to Meezan bank | 2,341 | - | - | - | - | 2,341 |
| | 83,498 | 965 | - | - | - | 84,463 |
| Net assets / (liabilities) | 725,196 | (965) | - | - | - | 2,599,168 |
| | | | | | | 3,323,399 |

19.3 Credit risk

19.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| (Rupees in '000) | | | | |
| Balances with banks | 454,128 | 454,128 | 569,028 | 569,028 |
| Investments | 2,433,085 | - | 2,599,168 | - |
| Receivable against conversion of units | 9,679 | 9,679 | 224,341 | 224,341 |
| Dividend receivable | 5,809 | 5,809 | 10,545 | 10,545 |
| Deposits and other receivables | 5,064 | 5,064 | 4,780 | 4,780 |
| | 2,907,765 | 474,680 | 3,407,862 | 808,694 |

Difference in the balance as per statement of asset and liabilities and maximum exposure is due to the fact that investments in equity securities of Rs. 2,433 million (2017: Rs 2,599 million) is not exposed to credit risk.

19.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, dividend receivable and receivable against sale of units and against investments.

| Rating | 2018 | 2017 |
|--------|--------------|---------|
| | (Percentage) | |
| AA+ | 28.40 | 4.63 |
| AA- | 16.30 | 0.01 |
| AA | - | 44.37 |
| A+ | 55.30 | 50.99 |
| | 100.00% | 100.00% |



19.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

20. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 2,433,085 | - | - |
| | | | |
| | 2017 | | |
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 2,599,168 | - | - |

21. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

22. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|--------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 2,367 | 1,734,562 | 60.30 | 2,169 | 2,059,219 | 63.34 |
| Insurance Companies | 1 | 2,337 | 0.08 | 1 | 18,815 | 0.58 |
| Banks and DFIs | 1 | 34 | 0.00 | | | |
| Private Companies | 10 | 57,948 | 2.01 | 10 | 72,328 | 2.22 |
| Retirement Funds | 36 | 625,511 | 21.74 | 34 | 472,820 | 14.54 |
| Public Limited Companies | 2 | 152,892 | 5.31 | 1 | 174,403 | 5.36 |
| Others | 15 | 303,880 | 10.56 | 16 | 453,850 | 13.96 |
| | 2,432 | 2,877,164 | 100.00% | 2,231 | 3,251,435 | 100.00% |

23. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|--|-------------------------------|--|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| Foundation Securities (Private) Limited | 11.67% | JS Global Capital Limited. | 12.30% |
| Alfalah Securities (Private) Limited | 11.48% | BMA Capital Management Limited | 11.38% |
| Top Line Securities (Private) Limited | 8.80% | Invest & Finance Securities Limited | 7.47% |
| JS Global Capital Limited. | 8.74% | Optimus Capital Management (Private) Limited | 7.33% |
| Fawad Yusuf Securities (Private) Limited | 7.71% | AKD Securities Limited | 7.30% |
| Invest & Finance Securities Limited | 6.87% | Arif Habib Limited. | 6.26% |
| AKD Securities Limited | 6.26% | Alfalah Securities (Private) Limited | 6.10% |
| Arif Habib Limited. | 4.01% | Next Capital Limited | 4.85% |
| Insight Securities (Private) Limited | 3.58% | Elixir Securities Pakistan (Private) Limited | 4.20% |
| Optimus Capital Management (Private) Limited | 3.52% | Fawad Yusuf Securities (Private) Limited | 4.14% |



24. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

| Name | Designation | Qualification | Experience in years |
|---------------------|--------------------------|---|---------------------|
| Mr. Mohammad Shoaib | Chief Executive Officer | CFA / MBA | Twenty Eight years |
| Mr. Muhammad Asad | Chief Investment Officer | CFA level II / MBA | Twenty Two years |
| Mr. Ahmed Hassan | VP Investments | CFA / MBA | Eleven years |
| Mr. Ali Khan | VP Product Development | CFA / FRM / MBA | Eight years |
| Mr. Zain Malik | VP Investments | CFA / BBA | Nine years |
| Mr. Asif Imtiaz | Senior Manager | CFA / MBA | Ten years |
| Mr. Imad Ansari | Head of Risk Management | B.S Actuarial Sciences & Risk Management / MBA | Thirteen years |
| Mr. Ali Asghar | AVP/Head of Research | CFA level II / BBA / MBA (in progress) | Seven years |

24.1 The Fund manager of the Fund is Mr. Ahmed Hassan. Other funds being managed by the fund manager are as follows:

- Al Meezan Mutual Fund
- Meezan Tahaffuz Pension Fund; and
- Meezan Energy Fund

25. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | - | - | - | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | - |
| Ms. Saima Kamila Khan ** | Director | - | - | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | - | - | - |
| Mazhar Sharif *** | Director | Yes | Yes | - | - | - |
| Mr. Naeem Sattar *** | Director | - | - | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

26. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

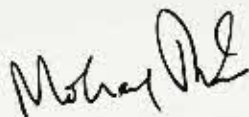
27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

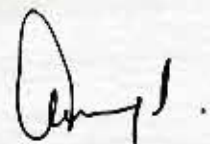
28. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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



**Mohammad Shoaib, CFA
Chief Executive**

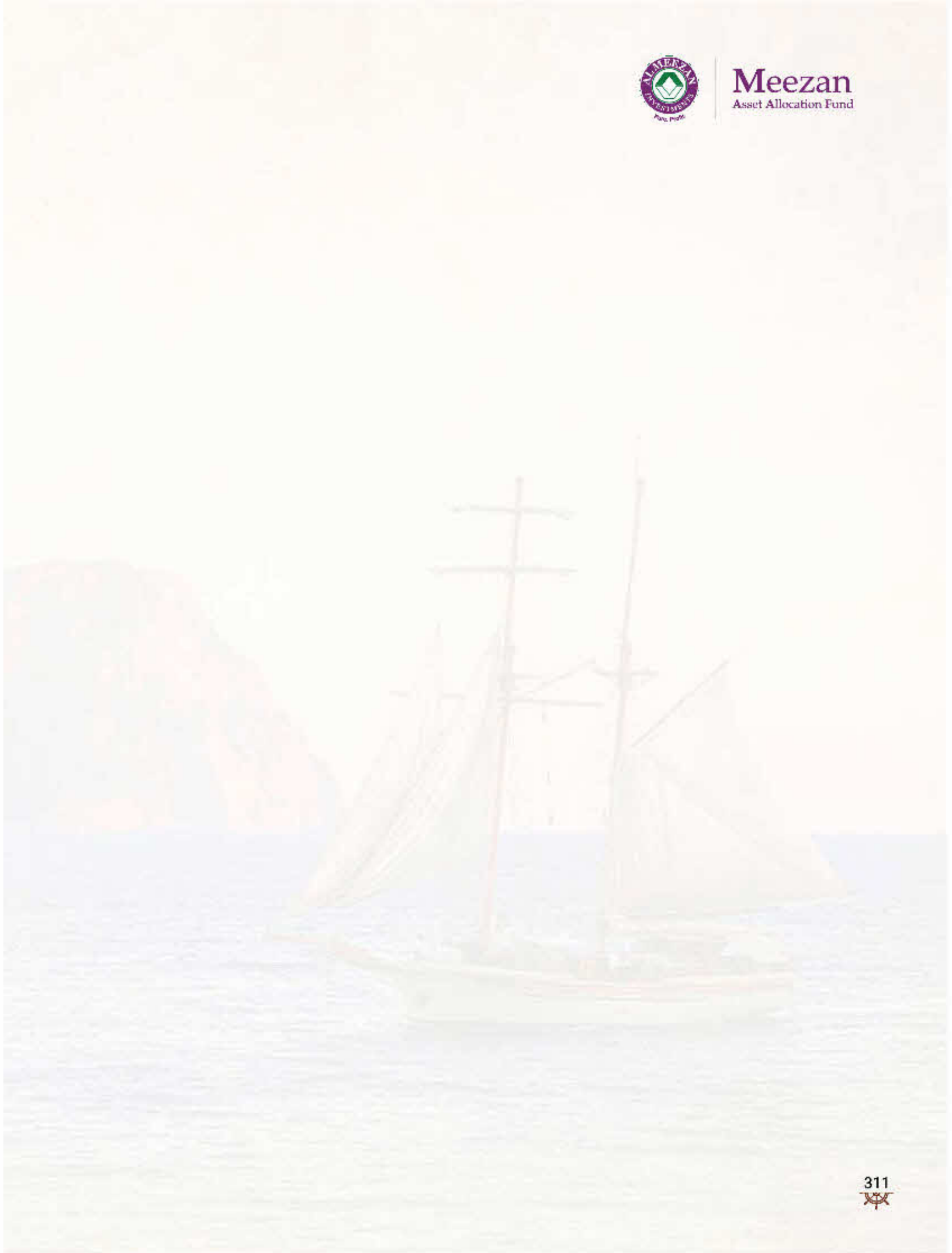


**Syed Amir Ali Zaidi
Director**





Meezan
Asset Allocation Fund





Meezan
Dedicated Equity Fund

MEEZAN DEDICATED EQUITY FUND (MDEF)

Meezan Dedicated Equity Fund aims to provide Fund of Funds scheme a dedicated platform to seek long term capital appreciation.



FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoaib, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | Member |
| Mr. Mohammad Shoaib, CFA | Member |

TRUSTEE

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

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited - Islamic Banking
Meezan Bank Limited

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Open end Shariah Compliant Equity Scheme

Objective

The investment objective of the fund is to provide Fund of Funds schemes a dedicated equity platform to seek long term capital appreciation.

Investment Policy

It primarily invests in Shariah compliant listed equity securities or securities whose listing has been approved by the exchange. In case the fund manager expects the stock market to drop, based on his analysis of macroeconomic factors such as interest rates, economic growth rates, political climate, corporate earnings, stock market valuations, etc, the portfolio may be temporarily allocated to other allowable asset classes, subject to the prescribed limits.

Performance Review

MDEF posted a total loss of Rs. 34 million in the fiscal year from October 09, 2017 to June 30, 2018. Total loss comprised of unrealized loss on investments of Rs. 84 million. Dividend income contributed Rs. 31 million to income, Realized gain contributed 15 million while profit on saving accounts with banks amounted to Rs. 3 million. After accounting for expenses of Rs. 35 million, the Fund posted a net loss of Rs. 69 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,857 million. The net asset value per unit as at June 30, 2018 was Rs. 48.53.

Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the period ended June 30, 2018 an amount of Rs. 0.48 million was accrued as charity payable.

Distributions

There is NIL distribution by the Fund during the period ended June 30, 2018.

Summary of Actual Proxy Voted By the Fund

| | Resolutions | For | Against | Abstain |
|------------|-------------|------|---------|---------|
| Number | 2 | 2 | - | - |
| Percentage | 100% | 100% | - | - |

The proxy voting policy of Al Meezan Investment Management Limited, duly approved by Board of Directors of the Management Company, is available on the website www.almeezangroup.com. A detailed information regarding actual proxies voted by the Management Company in respect of funds is also available without charge, upon request, to all unit holders.

Distributions

There is NIL distribution by the Fund during the period ended June 30, 2018.



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor –Meezan Dedicated Equity Fund

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

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 MDEF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MDEF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 accounts of the Investee companies have been used for the following calculations*):

| Company Name | (i) Nature of Business | (ii)** Debt to Assets (<37%) | (iii) Non-Compliant Investments (<33%) | (iv) Non-Compliant Income to Gross Revenue (<5%) | (v) Illiquid Assets to Total Assets (>25%) | (vi) Net Liquid Assets vs. Share Price (B>A) | |
|-------------------------------|---------------------------------|---------------------------------|---|---|---|---|-----------------|
| | | | | | | Net Liquid Assets per Share (A) | Share Price (B) |
| Engro Corporation Ltd | Fertilizer | 29.53% | 21.57% | 3.03% | 65% | (75.29) | |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| Pakistan Petroleum Ltd. | Oil & Gas Exploration Companies | 0.06% | 20.86% | 3.79% | 43% | 39.29 | 205.91 |
| Lucky Cement | Cement | 10.50% | 0.00% | 3.23% | 68% | (231.74) | |

Page 1 of 2

Meezan Bank Ltd.

Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.
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| | (i) | (ii)** | (iii) | (iv) | (v) | (vi) | |
|--------------------------|---------------------------------|--------|-------|-------|-----|----------|--------|
| Engro Fertilizer | Fertilizer | 29.63% | 7.32% | 0.12% | 77% | (32.84) | |
| Pakistan Oil Fields | Oil & Gas Exploration Companies | 0.00% | 0.01% | 2.00% | 72% | (40.74) | |
| Sui Northern Gas Company | Oil & Gas Marketing Companies | 17.06% | 0.00% | 1.01% | 51% | (297.62) | |
| Pakistan State Oil** | Oil & Gas Marketing Companies | 20.44% | 0.57% | 0.33% | 19% | 119.42 | 293.11 |

* 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.

*** PSO scrip has been considered compliant due to circular debt issue.

- ii. On the basis of information provided by the management, all operations of MDEF for the year ended June 30, 2018 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 MDEF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

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
Shari'ah Advisor

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN DEDICATED EQUITY FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Dedicated Equity Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from October 09, 2017 to June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Dedicated Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Dedicated Equity Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the period from October 09, 2017 to June 30, 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the period from October 09, 2017 to June 30, 2018 in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|--|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.11 to the annexed financial statements)</p> <p>During the current period, the Securities and Exchange Commission of Pakistan (SECP) through its notification [SRO 756 (I) / 2017] dated August 3, 2017 has prescribed a new definition of element of income. As per the notification, the element of income is considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.11.</p> <p>The SECP notification also stipulates that the accounting income available for distribution as appearing in the "Income Statement" excludes income already paid on units redeemed during the period.</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the requirements with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to assess their compliance with the regulations.</p> <p>We verified disclosures to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

= KARACHI = LAHORE = ISLAMABAD

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|--|
| | The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current period and therefore we considered these developments as key audit matter. | |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 1,742 million and balances with banks aggregated to Rs 122.5 million.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of the Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

Alli



Meezan
Dedicated Equity Fund

A·F·FERGUSON&CO.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

All in





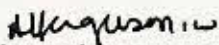
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From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


Chartered Accountants

Karachi

Date: September 19, 2018



STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) |
|--|------|--------------------------|
| Assets | | |
| Balances with banks | 4 | 122,500 |
| Investments | 5 | 1,741,607 |
| Dividend receivable | | 2,103 |
| Advances, deposits and other receivables | 6 | 2,661 |
| Total assets | | 1,868,871 |
| Liabilities | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 7 | 7,319 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 8 | 269 |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 922 |
| Payable against purchase of investments | | 2,530 |
| Accrued expenses and other liabilities | 10 | 999 |
| Total liabilities | | 12,039 |
| NET ASSETS | | 1,856,832 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 1,856,832 |
| CONTINGENCIES AND COMMITMENTS | 11 | |
| NUMBER OF UNITS IN ISSUE | | 38,257,817 |
| NET ASSET VALUE PER UNIT | | 48.5347 |

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

For AI Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE PERIOD FROM OCTOBER 9, 2017 TO JUNE 30, 2018

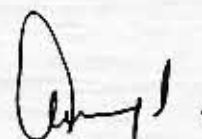
| | Note | For the period from October 9, 2017 to June 30, 2018 (Rupees in '000) |
|---|------|---|
| Income | | |
| Profit on balances with banks | | 3,480 |
| Dividend income | | 30,907 |
| Realised gain on sale of investments - net | | 15,479 |
| | | 49,866 |
| Net unrealised diminution on re-measurement of investments classified as financial assets classified as 'financial assets at fair value through profit or loss' | 5.2 | (83,815) |
| Total loss | | (33,949) |
| Expenses | | |
| Remuneration of Al Meezan Investment Management Limited - Management Company | 7.1 | 19,414 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 | 2,524 |
| Allocated expenses | 7.3 | 969 |
| Selling and marketing expenses | 7.4 | 3,883 |
| Remuneration of the Central Depository Company of Pakistan Limited-Trustee | 8.1 | 1,648 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 214 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 9 | 922 |
| Brokerage expense | | 3,327 |
| Auditors' remuneration | 12 | 200 |
| Annual listing fee | | 190 |
| Charity expense | 10.1 | 487 |
| Printing expense | | 30 |
| Legal and professional charges | | 27 |
| Shariah advisor fee | | 392 |
| Bank and settlement charges | | 899 |
| Total expenses | | 35,126 |
| Net loss for the period before taxation | | (69,075) |
| Taxation | 15 | - |
| Net loss for the period after taxation | | (69,075) |
| Allocation of net income for the year | | |
| Net income for the year after taxation | | - |
| Income already paid on units redeemed | | - |
| | | - |
| Accounting income available for distribution | | |
| - Relating to capital gains | | - |
| - Excluding capital gains | | - |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM OCTOBER 9, 2017 TO JUNE 30, 2018

**For the period
from October 9,
2017 to June 30,
2018
(Rupees in '000)**

Net loss for the period after taxation

(69,075)

Other comprehensive income / (loss) for the period

-

Total comprehensive loss for the period

(69,075)

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

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE PERIOD FROM OCTOBER 9, 2017 TO JUNE 30, 2018

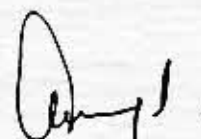
| | For the period from October 9, 2017 to June 30, 2018 | | |
|---|---|----------------------------------|----------------|
| | Capital Value | Undistributed income / (loss) | Total |
| | (Rupees in '000) | | |
| Issue of 94,710,721 units | | | |
| - Capital value | 4,735,536 | - | 4,735,536 |
| - Element of income | 9,965 | - | 9,965 |
| Total proceeds on issuance of units | 4,745,501 | - | 4,745,501 |
| Redemption of 56,452,904 units | | | |
| - Capital value | 2,822,646 | - | 2,822,646 |
| - Element of income | (3,052) | - | (3,052) |
| Total payments on redemption of units | 2,819,594 | - | 2,819,594 |
| Total comprehensive loss for the period | - | (69,075) | (69,075) |
| Distribution during the period | - | - | - |
| Net loss for the period less distribution | - | (69,075) | (69,075) |
| Net assets at end of the period | 1,925,907 | (69,075) | 1,856,832 |
| Undistributed loss carried forward | | | |
| - Realised income | | 14,740 | |
| - Unrealised loss | | (83,815) | |
| | | (69,075) | |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | |
| - Excluding capital gains | | - | |
| | | - | |
| | | | (Rupees) |
| Net assets value per unit at end of the period | | | <u>48.5347</u> |

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

For Al Meezan Investment Management Limited
(Management Company)



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



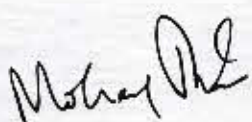
CASH FLOW STATEMENT

FOR THE PERIOD FROM OCTOBER 9, 2017 TO JUNE 30, 2018

| | Note | For the period from October 9, 2017 to June 30, 2018 (Rupees in '000) |
|---|------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the period before taxation | | (69,075) |
| Adjustments for | | |
| Net unrealised diminution on re-measurement of investments classified as financial at 'fair value through profit or loss' | | 83,815 |
| | | 14,740 |
| (Increase) / Decrease in assets | | |
| Investments - net | | (1,825,422) |
| Dividend receivable | | (2,103) |
| Advances, deposits and other receivables | | (2,661) |
| | | (1,830,186) |
| Increase / (decrease) in liabilities | | |
| Payable to AI Meezan Investment Management Limited - Management Company | | 7,319 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | 269 |
| Payable to the Securities and Exchange Commission of Pakistan | | 922 |
| Payable against purchase of investments | | 2,530 |
| Accrued expenses and other liabilities | | 999 |
| | | 12,039 |
| Net cash used in operating activities | | (1,803,407) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts against issuance of units and conversion of units | | 4,745,501 |
| Payment against redemption of units and conversion of units | | (2,819,594) |
| Net cash generated from financing activities | | 1,925,907 |
| Net increase in cash and cash equivalents during the period | | 122,500 |
| Cash and cash equivalents at end of the period | 4 | 122,500 |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM OCTOBER 9, 2017 TO JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Dedicated Equity Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on October 9, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations). The Management Company has been granted license by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to enable the unitholders to participate in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah principles. The Management Company 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.
- 1.3** The Fund is an open-end Shariah Compliant Equity Scheme. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is in the process of listing on the Pakistan Stock Exchange Limited.
- 1.4** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company.
- 1.5** The title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.
- 1.6** As per the offering document approved by the SECP, the accounting period, in case of the first such period, shall commence from the date on which the trust property is first paid or transferred to the Trustee. Accordingly these financial statements have been prepared from October 09, 2017 to June 30, 2018 (former being the date from which the proceeds from the issue of units were received).
- 1.7** This is the first accounting period of the Fund and hence there are no comparative figures.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) and the requirements of the Trust Deed.





Where provisions of and directives issued under the Companies Act, 2017 part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules and the requirements of the Trust Deed differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|--|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 15).

2.4 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

2.5 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Funds' functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below:

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.



Net gains and losses arising from changes in the fair value of financial assets classified as "available for sale" are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective yield method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on equity securities

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

3.8 Issue and redemption of units

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

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

3.10 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. The element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund shall be refunded on units in the same proportion as dividend bears to accounting



income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- 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.
- Profit on balances with banks is recognised on time proportion basis using the effective yield method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates. The charge for current tax also include adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

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

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

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

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

3.16 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the period before taxation of the Fund by the weighted average number of units outstanding during the period.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.17 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

| | Note | 2018 (Rupees in '000) |
|-------------------------------|------|--------------------------|
| 4. BALANCES WITH BANKS | | |
| Balances with banks in: | | |
| Savings accounts | 4.1 | 122,326 |
| Current accounts | | 174 |
| | | 122,500 |

4.1 The balances in saving accounts have expected profit rates ranging from 2% to 2.4% per annum.

| | Note | 2018 (Rupees in '000) |
|--|------|--------------------------|
| 5. INVESTMENTS | | |
| Investment at 'fair value through profit or loss' | | |
| Listed equity securities | 5.1 | 1,741,607 |

5.1 Investment at fair value through profit or loss - Listed equity securities

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

| Name of the investee company | Purchased during the period | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Percentage in relation to market value of total investment |
|------------------------------|-----------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|--|
| | | | | | (Rupees in '000) | | % |

SECTOR

Automobile Assembler

| | | | | | | | |
|-----------------------------------|--------|---|--------|--------|--------|--------|------|
| Gandhara Industries Limited | 60,000 | - | 27,000 | 33,000 | 26,015 | 23,321 | 0.01 |
| Millat Tractors Limited | 13,000 | | | 13,000 | 16,513 | 15,445 | 0.01 |
| Pak Suzuki Motors Company Limited | 27,100 | - | - | 27,100 | 14,190 | 10,661 | 0.01 |

Automobile Parts & Accessories

| | | | | | | | |
|---------------------------------------|---------|---|--------|---------|--------|--------|------|
| General Tyre & Rubber Company Limited | 50,000 | | 25,000 | 25,000 | 5,094 | 4,155 | 0.00 |
| Gandhara Nissan Limited | 139,458 | - | - | 139,458 | 32,116 | 25,056 | 0.01 |





| Name of the investee company | Purchased during the period | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Percentage in relation to market value of total investment |
|---|-----------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|--|
| | | | | | ----- (Rupees in '000) ----- | ----- % ----- | |
| Commercial Bank | | | | | | | |
| Meezan Bank Limited (an associate) | 510,000 | - | 509,500 | 500 | 32 | 41 | 0.00 |
| Cable & Electrical Goods | | | | | | | |
| Pak Elektron Limited | 1,451,200 | - | 1,451,200 | - | - | - | - |
| Cement | | | | | | | |
| Cherat Cement limited | 225,000 | - | 128,500 | 96,500 | 12,607 | 9,383 | 0.01 |
| Dewan Cement Limited | 400,000 | - | 30,500 | 369,500 | 9,250 | 6,651 | 0.00 |
| DG Khan Cement Limited | 437,600 | - | 132,000 | 305,600 | 45,809 | 34,988 | 0.02 |
| Lucky Cement Limited | 404,000 | - | 140,600 | 263,400 | 164,053 | 133,789 | 0.08 |
| Maple Leaf Cement Company Limited | 600,000 | - | 30,000 | 570,000 | 43,463 | 28,922 | 0.02 |
| Kohat Cement Company Limited | 130,000 | - | 100,100 | 29,900 | 4,628 | 3,680 | 0.00 |
| Pioneer Cement Limited | 460,000 | - | 362,000 | 98,000 | 6,718 | 4,592 | 0.00 |
| Chemical | | | | | | | |
| Engro Polymer & Chemicals Limited | 1,367,000 | - | 778,550 | 588,450 | 18,869 | 18,454 | 0.01 |
| ICI Pakistan Limited | 73,200 | - | - | 73,200 | 60,106 | 58,670 | 0.03 |
| Engineering | | | | | | | |
| Amreli Steels Limited | 139,000 | - | - | 139,000 | 13,167 | 9,806 | 0.01 |
| International Industries Limited | 64,800 | - | - | 64,800 | 16,833 | 15,052 | 0.01 |
| International Steel Limited | 582,500 | - | 335,000 | 247,500 | 28,710 | 25,171 | 0.01 |
| Mughal Iron & Steel Industries Limited | 548,000 | - | 165,500 | 382,500 | 25,922 | 23,493 | 0.01 |
| Fertilizer | | | | | | | |
| Engro Corporation Limited | 820,500 | - | 275,600 | 544,900 | 158,930 | 171,022 | 0.10 |
| Engro Fertilizers Limited | 2,220,000 | - | 817,000 | 1,403,000 | 105,294 | 105,099 | 0.06 |
| Oil and Gas Exploration Companies | | | | | | | |
| Mari Petroleum Company Limited | 42,320 | - | - | 42,320 | 61,763 | 63,742 | 0.04 |
| Pakistan Oilfields Limited | 209,950 | - | 67,150 | 142,800 | 84,937 | 95,932 | 0.06 |
| Pakistan Petroleum Limited | 745,000 | - | 103,000 | 642,000 | 124,294 | 137,966 | 0.08 |
| Oil and Gas Development Company Limited | 1,449,600 | - | 530,000 | 919,600 | 149,874 | 143,108 | 0.08 |
| Oil and Gas Marketing Companies | | | | | | | |
| Hascol Petroleum Limited | 171,000 | - | 64,600 | 106,400 | 28,879 | 33,384 | 0.02 |
| Pakistan State Oil Company Limited (note 5.1.2) | 459,100 | 22,600 | 271,400 | 210,300 | 67,850 | 66,941 | 0.04 |
| Sui Northern Gas Pipeline Limited | 1,329,700 | - | 640,600 | 689,100 | 74,058 | 69,061 | 0.04 |
| Sui Southern Gas Company Limited | 1,729,000 | - | 570,000 | 1,159,000 | 42,993 | 38,038 | 0.02 |
| Paper and Board | | | | | | | |
| Packages Limited | 130,550 | - | 5,000 | 125,550 | 72,876 | 61,484 | 0.04 |
| Pharmaceuticals | | | | | | | |
| Abbott Laboratories Limited | 11,000 | - | 5,000 | 6,000 | 4,229 | 4,110 | 0.00 |
| AGP Limited | 487,500 | - | 25,000 | 462,500 | 40,397 | 41,065 | 0.02 |
| GlaxoSmithKline Consumer HealthCare | 27,000 | - | 5,000 | 22,000 | 7,423 | 8,911 | 0.01 |
| GlaxoSmithKline Pakistan Limited | 10,000 | - | - | 10,000 | 1,860 | 1,660 | 0.00 |
| The Searle Company Limited | 147,700 | - | - | 147,700 | 48,095 | 50,144 | 0.03 |
| Power Generation and Distribution | | | | | | | |
| K Electric Limited (note 5.1.1) | 9,485,000 | - | 2,050,000 | 7,435,000 | 47,824 | 42,231 | 0.02 |
| The Hub Power Company Limited | 745,000 | - | 123,500 | 621,500 | 63,896 | 57,277 | 0.03 |
| TECHNOLOGY & COMMUNICATION | | | | | | | |
| Avancenon Limited | 50,000 | - | - | 50,000 | 2,700 | 3,312 | 0.00 |
| Pakistan Telecommunication Company Limited | 2,090,000 | - | 2,090,000 | - | - | - | - |
| System limited | 120,000 | - | - | 120,000 | 11,487 | 12,146 | 0.01 |

| Name of the investee company | Purchased during the period | Bonus / Right shares during the year | Sold during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Percentage in relation to market value of total investment |
|--|-----------------------------|--------------------------------------|----------------------|---------------------|------------------------------------|----------------------------------|--|
| | | | | | -----[Rupees in '000]----- | ----- % ----- | |
| Refinery | | | | | | | |
| Attock Refinery Limited | 155,800 | - | 140,000 | 15,800 | 4,069 | 3,402 | 0.00 |
| National Refinery Limited | 67,150 | - | 8,500 | 58,650 | 24,126 | 25,983 | 0.01 |
| Textile Composite | | | | | | | |
| Nishat Mills Limited | 305,600 | - | - | 305,600 | 44,971 | 43,065 | 0.02 |
| Vanaspati & Allied Industries | | | | | | | |
| Unity Foods limited | 300,000 | - | - | 300,000 | 8,502 | 8,784 | 0.01 |
| Rights Certificate | | | | | | | |
| Engro Polymer & Chemicals Limited | - | 273,226 | - | 273,226 | - | 2,410 | 0.00 |
| Total | | | | | 1,825,422 | 1,741,607 | |
| Total as at June 30, 2018 | | | | | 1,825,422 | 1,741,607 | |

5.1.1 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the fund deposit tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitution 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, Pakistan State Oil Company Limited have issued bonus shares after withholding 5% shares on account of tax on bonus shares. The shares withheld have not been deposited by the respective Companies with the Government Treasury due to the pending adjudication of the aforementioned Constitutional Petition and the related stay order in this regard.

| | Note | 2018 (Rupees in '000) |
|---|------|--------------------------|
| 5.2 Unrealised diminution on re-measurement of investments classified as Financial assets at fair value through profit or loss | | |
| Market value of investments | 5.1 | 1,741,607 |
| Carrying value of investments | 5.1 | 1,825,422 |
| | | <u>(83,815)</u> |
| 6. ADVANCES AND DEPOSITS | | |
| Profit receivable on savings account | | 532 |
| Advance tax | 6.1 | 1,526 |
| Advance against Initial Public Offer | | 500 |
| Security deposit with the Central Depository Company of Pakistan Limited | | 103 |
| | | 2,661 |



- 6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2018, withholding tax on dividend paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before such agent by the withholder. The tax withheld on dividends as at June 30, 2018 amounts to Rs 2.470 million.

Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted has been shown as other receivables as at June 30, 2018. In the opinion of the management, the amount of tax deducted at source will be refunded as the Fund has already claimed refunds against the tax so withheld, through filing of annual tax return.

| | Note | 2018 (Rupees in '000) |
|--|------|--------------------------|
| 7. PAYABLE TO AL MEEZAN MANAGEMENT LIMITED - MANAGEMENT COMPANY | | |
| Management fee payable | 7.1 | 3,129 |
| Sindh Sales Tax payable on remuneration of the Management Company | 7.2 | 407 |
| Allocated expenses payable | 7.3 | 156 |
| Selling and marketing expenses payable | 7.4 | 3,627 |
| | | 7,319 |

- 7.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of equity schemes. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% per annum of the average net assets of the Fund during the period from October 09, 2017 to June 30, 2018. The remuneration is payable to the Management Company monthly in arrears.
- 7.2** During the period, an amount of Rs. 2.524 million was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 2.117 million has been paid to the Management Company which acts as a collecting agent.
- 7.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.
- 7.4** The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly such expenses have been charged to the Fund w.e.f. October 09, 2017 at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

| | Note | 2018 (Rupees in '000) |
|---|------|--------------------------|
| 8. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | |
| Trustee fee payable | 8.1 | 239 |
| Sindh Sales Tax payable on trustee fee | 8.2 | 30 |
| | 269 | |

- 8.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1 billion Rs 0.7 million or 0.2% per annum of net assets, whichever is higher.
- from Rs 1 billion to Rs.5 billion Rs 2 million plus 0.1% per annum of net assets exceeding Rs 1 billion

- 8.2** During the current period, an amount of Rs 0.214 million was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.184 million was paid to the Trustee which acts as a collecting agent.

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a collective investment scheme classified as a equity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

| | Note | 2018 (Rupees in '000) |
|---|------|--------------------------|
| 10. ACCRUED EXPENSES AND OTHER LIABILITIES | | |
| Auditors' remuneration payable | | 200 |
| Printing charges payable | | 20 |
| Shariah advisor fee payable | | 269 |
| Charity payable | 10.1 | 487 |
| Withholding tax payable | | 23 |
| | | 999 |

- 10.1** According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the period from October 09, 2017 to June 30, 2018, non-shariah compliant income amounting to Rs 0.487 million was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of the Shariah Advisor. The dividend income is recorded net of amount given as charity.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018.

| | 2018 (Rupees in '000) |
|-----------------------------------|--------------------------|
| 12. AUDITORS' REMUNERATION | |
| Annual audit fee | 150 |
| Half yearly review | 50 |
| | 200 |



13. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 2.64% which includes 0.27% representing government levies on the Fund such as sales taxes, annual fee to the SECP, shariah advisors fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as a equity scheme.

14. PERFORMANCE TABLE

2018

| | |
|---|-----------|
| Net assets (Rs in '000) (ex-distribution) | 1,856,831 |
| Net assets value / redemption price per unit as at June 30 (Rs) | 48.535 |
| Offer price per unit as at June 30 (Rs) | 50.180 |
| Highest offer price per unit (Rs) | 56.317 |
| Lowest offer price per unit (Rs) | 47.890 |
| Highest redemption price per unit (Rs) | 54.470 |
| Lowest redemption price per unit (Rs) | 46.319 |
| Distribution (%) | - |
| Date of distribution | - |
| Total return (%) | (0.029) |

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

15. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the period.

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

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 16.1** Connected persons include AI Meezan Investment Management Limited being the Management Company, the Central Depository Company (CDC) being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 16.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 16.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.

- 16.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 16.5** The details of transactions carried out by the Fund with connected persons during the period and balances with them as at period end are as follows:

| | 2018 (Rupees in '000) |
|---|--|
| Al Meezan Investment Management Company Limited | |
| - Management Company | |
| - Transactions during the period | |
| Remuneration charged | 19,414 |
| Sindh Sales Tax on remuneration of the Management Company | 2,524 |
| Allocated expenses | 969 |
| Selling and marketing expenses | 3,883 |
| - Balances | |
| Management fee payable | 3,129 |
| Sindh Sales Tax payable on remuneration of the Management Company | 407 |
| Allocated expenses payable | 156 |
| Selling and marketing expenses payable | 3,627 |
| Central Depository Company of Pakistan Limited (CDC) - Trustee | |
| Remuneration of the Trustee | 1,648 |
| Sindh Sales Tax on remuneration of the Trustee | 214 |
| - Balances | |
| Trustee fee payable | 239 |
| Sindh Sales Tax on Trustee fee payable | 30 |
| Deposit | 103 |
| Meezan Bank Limited | |
| Sold 509,500 shares | 39,653 |
| Purchased 510,000 shares | 32,875 |
| Profit on saving accounts | 2,254 |
| - Balances | |
| Bank balance | 110,322 |
| Profit receivable on saving accounts | 281 |
| Investment 500 shares | 32 |
| Meezan Financial Planning Fund of Funds MAAP - I | |
| Units issued: 18,456,183 units | 918,000 |
| Units redeemed: 5,696,934 units | 288,000 |
| Investment of 12,759,249 units | 619,266 |
| Meezan Financial Planning Fund of Funds MAAP - II | |
| Units issued: 444,265 units | 22,000 |
| Units redeemed: 444,265 units | 21,520 |
| Meezan Financial Planning Fund of Funds MAAP - III | |
| Units issued: 17,958,612 units | 865,000 |
| Units redeemed: 17,958,612 units | 891,768 |
| Meezan Financial Planning Fund of Funds MAAP - IV | |
| Units issued: 2,216,179 units | 113,000 |
| Units redeemed: 79,458 units | 4,000 |
| Investment of 2,136,721 units | 103,705 |





2018
(Rupees in '000)

Meezan Strategic Allocation Fund MSAP - I

Units issued: 7,726,043 units
Units redeemed: 3,963,082 units
Investment of 3,762,961 units

381,000

194,000

182,634

Meezan Strategic Allocation Fund MSAP - II

Units issued: 2,052,896 units
Units redeemed: 99,322 units
Investment of 1,953,574 units

104,000

5,000

94,817

Meezan Strategic Allocation Fund MSAP - III

Units issued: 2,348,643 units
Units redeemed: 158,241 units
Investment of 2,190,402 units

119,000

7,900

106,311

Meezan Strategic Allocation Fund MSAP - IV

Units issued: 4,944,378 units
Units redeemed: 2,965,003 units
Investment of 1,979,375 units

251,000

151,000

96,068

Meezan Strategic Allocation Fund MSAP - V

Units issued: 2,899,237 units
Units redeemed: 1,466,152 units
Investment of 1,433,085 units

146,000

75,000

69,554

Meezan Strategic Allocation Fund MCPP-III

Units issued: 15,724,509 units
Units redeemed: 12,807,088 units
Investment of 2,917,421 units

807,000

642,455

141,596

Meezan Strategic Allocation Fund -II MCPP-IV

Units issued: 16,839,668 units
Units redeemed: 9,836,424 units
Investment of 7,003,244 units

866,500

490,850

339,900

Meezan Strategic Allocation Fund -II MCPP-V

Units issued: 3,100,087 units
Units redeemed: 978,302 units
Investment of 2,121,785 units

153,000

48,100

102,980

16.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

17. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | Total |
|--|-----------------------|--------------------------------------|--------------------|------------------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | |
| Rupees in '000 | | | | |
| Financial assets | | | | |
| Balances with banks | 122,500 | - | - | 122,500 |
| Investments | - | 1,741,607 | - | 1,741,607 |
| Dividend receivable | 2,103 | - | - | 2,103 |
| Advances, deposits and other receivables | 1,135 | - | - | 1,135 |
| | 125,738 | 1,741,607 | - | 1,867,345 |

| | 2018 | | | Total |
|---|--------------------------------------|--------------------|----------|---------------|
| | At fair value through profit or loss | Available-for-sale | | |
| Rupees in '000 | | | | |
| Financial liabilities | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | 7,319 | - | 7,319 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | 269 | - | 269 |
| Payable against purchase of investments | - | 2,530 | - | 2,530 |
| Accrued expenses and other liabilities | - | 976 | - | 976 |
| | - | 11,094 | - | 11,094 |

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.



a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 0.01 million.

b) Sensitivity analysis for fixed rate instruments

As at 30 June 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | Effective yield / interest rate (%) | 2018 | | | Total | |
|---|-------------------------------------|---------------------------------------|--|--------------------|-----------|---|
| | | Exposed to yield / interest rate risk | | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks in: | 2% 2.4% | 122,326 | - | - | 174 | 122,500 |
| Investment | | - | - | - | 1,741,607 | 1,741,607 |
| Dividend receivable | | - | - | - | 2,103 | 2,103 |
| Advances, deposits and other receivables | | - | - | - | 1,135 | 1,135 |
| | | 122,326 | - | - | 1,745,019 | 1,867,345 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | - | 7,319 | 7,319 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | | - | - | - | 269 | 269 |
| Payable against purchase of investments | | - | - | - | 2,530 | 2,530 |
| Accrued expenses and other liabilities | | - | - | - | 976 | 976 |
| | | - | - | - | 11,094 | 11,094 |
| On-balance sheet gap (a) | | 122,326 | - | - | 1,733,925 | 1,856,251 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 122,326 | - | - | | |
| Cumulative profit rate sensitivity gap | | 122,326 | 122,326 | 122,326 | | |

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2018, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 17.416 million and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI-30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

18.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the period from October 09, 2017 to June 30, 2018.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual





maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | | |
|---|----------------|---|--|---|-------------------|--|------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than three months and upto five year | More than 5 years | Financial Instruments with no fixed maturity | Total |
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 122,500 | - | - | - | - | - | 122,500 |
| Investments | - | - | - | - | - | 1,741,607 | 1,741,607 |
| Dividend receivable | 2,103 | - | - | - | - | - | 2,103 |
| Advances, deposits and other receivables | 635 | - | - | - | - | 500 | 1,135 |
| | 125,238 | - | - | - | - | 1,742,107 | 1,867,345 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 7,319 | - | - | - | - | - | 7,319 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 269 | - | - | - | - | - | 269 |
| Payable against purchase of investments | 2,530 | - | - | - | - | - | 2,530 |
| Accrued expenses and other liabilities | 20 | 956 | - | - | - | - | 976 |
| | 10,138 | 956 | - | - | - | - | 11,094 |
| Net assets / (liabilities) | 115,100 | (956) | - | - | - | 1,742,107 | 1,856,251 |

18.3 Credit risk

18.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | |
|--|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| (Rupees in '000) | | |
| Balances with banks | 122,500 | 122,500 |
| Investments | 1,741,607 | - |
| Dividend receivable | 2,103 | 2,103 |
| Advances, deposits and other receivables | 2,661 | 2,661 |
| | 1,868,871 | 127,264 |

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in equity securities of Rs 1,741.607 million is not exposed to credit risk.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent control established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee

18.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, cheques in hand, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

| Rating | % of financial assets exposed to credit risk 2018 (Rupees in '000) |
|--------|---|
| AA+ | 100.00 |

18.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

19. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|----------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 1,741,607 | - | - |

20. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.



The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

| Category | 2018 | | |
|-------------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Associated Undertakings | 10 | 1,856,832 | 100.00 |

| Name of broker | 2018 Percentage of commission paid |
|---|------------------------------------|
| AKD Securities Limited | 13% |
| BMA Capital Management Limited | 12% |
| JS Global Capital Management Limited | 11% |
| Shajar Capital Pakistan Private Limited | 10% |
| Arif Habib Securities Limited | 9% |
| Brokerage Next Capital | 7% |
| Alfalfa Securities (Private) Limited | 6% |
| Topline Securities private Limited | 6% |
| Fortune Securities Limited | 4% |

23. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

23.1 The Fund manager of the Fund is Mr. Asif Imtiaz. Other Funds being managed by the Fund Manager are as follows:

- Meezan Financial Planning Fund of Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund-II
- Meezan Balanced Fund; and
- KSE Meezan Index Fund

24. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | - | - | - | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | - |
| Ms. Saima Kamila Khan ** | Director | - | - | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | - | - | - |
| Mazhar Sharif *** | Director | Yes | Yes | - | - | - |
| Mr. Naeem Sattar *** | Director | - | - | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

** Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

*** Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

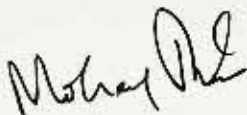
25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

26. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

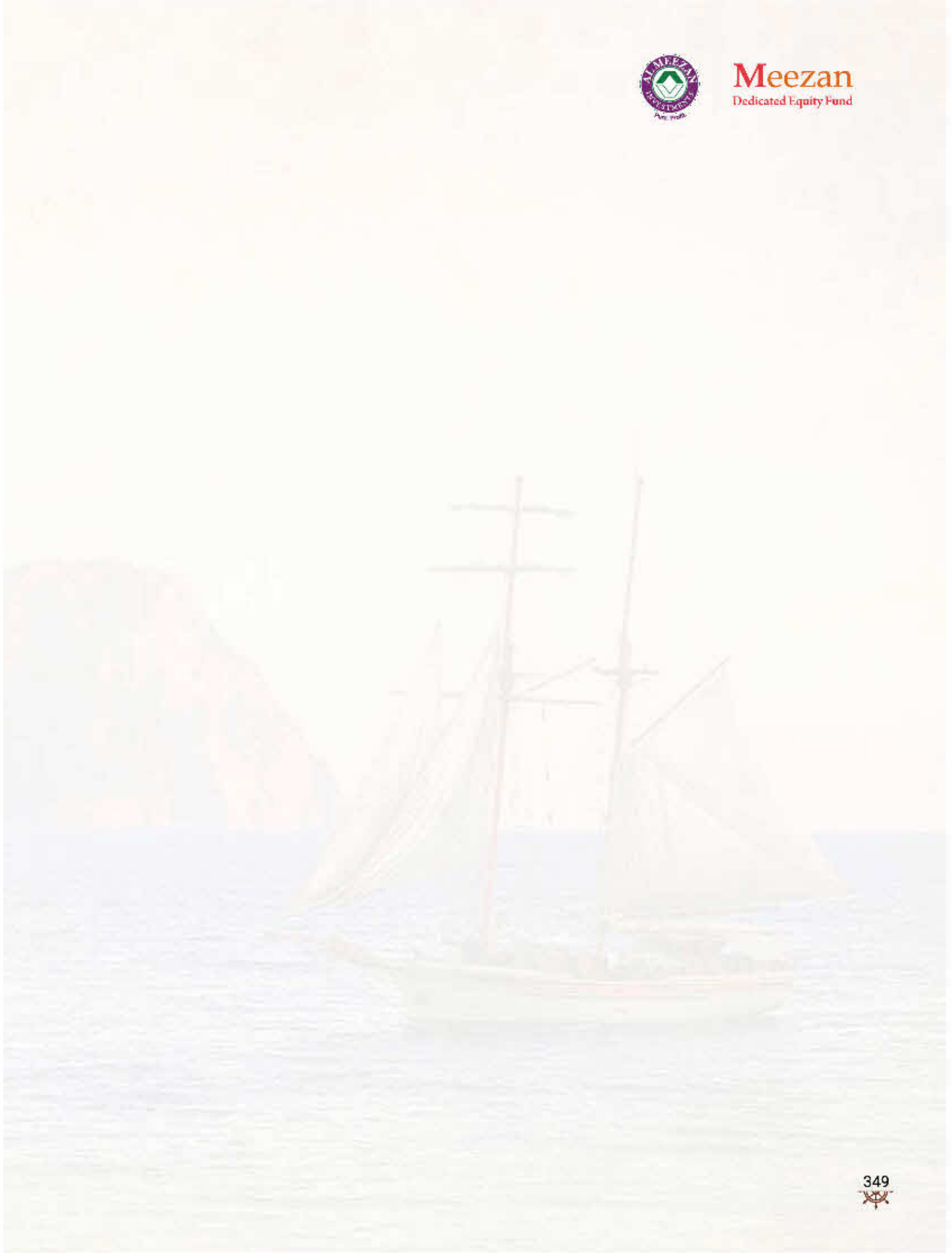
**For Al Meezan Investment Management Limited
(Management Company)**


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director



Meezan
Dedicated Equity Fund





Meezan Gold Fund

MEEZAN GOLD FUND (MGF)

Meezan Gold Fund is Pakistan's first Shariah compliant Gold Fund. It invests in gold instruments in the most efficient manner, to provide maximum exposure to prices of Gold in a Shariah compliant (Islamic) manner. This is done by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on the Pakistan Mercantile Index (PMEX).





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoaib, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|-----------------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| (subject to approval by the SECP) | |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | Member |
| Mr. Mohammad Shoaib, CFA | Member |

TRUSTEE

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

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Sindh Bank Limited
United Bank Limited
Meezan Bank Limited
Bank Al Habib Limited

LEGAL ADVISER

Bawaney & Partners
3rd & 4th Floor, 68-C, Lane-13, Bokhari Commercial Area,
Phase VI, DHA, Karachi.
Phone: (9221) 35156181-94 Fax: (9221) 35156195
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Shariah compliant commodity fund that invests in physical gold to earn a return based on the commodity's price fluctuation in the international market.

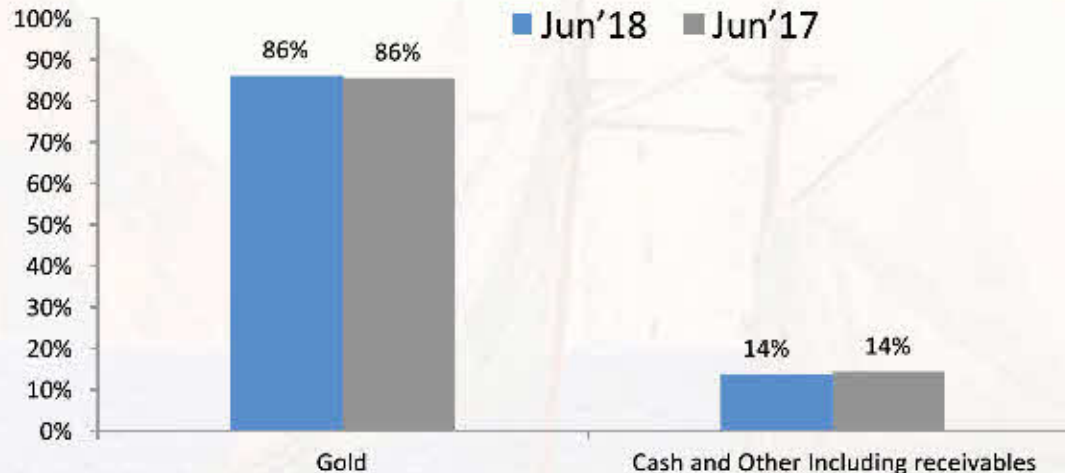
Investment Policy and Strategy

The objective of MGF is to provide maximum exposure to prices of Gold in a Shariah Compliant manner, by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on Pakistan Mercantile Exchange (PMEX). The fund aims to earn a potentially high return by taking advantage of price fluctuations of Gold in the international market. The fund has a long-term time horizon whereby the investors are advised to invest for a tenor of three to five years.

To meet the Fund's investment objective, at least seventy percent (70%) of Fund's net assets, will remain invested in deliverable gold based contracts while the remaining net assets of the Fund shall be invested in cash and near cash instruments which include cash in bank accounts of Islamic banks and licensed Islamic banking windows of conventional banks (excluding TDR). However, at least 10% of the net assets of the Fund shall remain invested in cash and near cash instruments at all times.

Asset Allocation

As on June 30, 2018, the fund's gold exposure was 86.20%, while 13.00% of the Net Assets was invested in cash.



Performance Review

Meezan Gold Fund posted a total income of Rs. 56 million during FY18 as compared to total loss Rs. 23 million last year. Total income comprised of realized and unrealized gains on investments in gold of Rs. 22 million and Rs. 29 million respectively while profit on saving accounts with bank of Rs. 1 million. Price Adjustment Charges contributed 4 million in the net income. After accounting for expenses of Rs. 12 million, the fund posted a net income of Rs. 44 million. The net assets of the Fund as at June 30, 2018 were Rs. 243 million as compared to Rs. 457 million at the end of last year depicting a decline of 46.82%.

During the fiscal year 2018, Meezan Gold Fund provided a return 11.99% to its investors due to rise in international gold prices.

| NAV (Dividend Adjusted) | 30-Jun-18 | 30-Jun-17 | Change |
|--------------------------------|------------------|------------------|---------------|
| Meezan Gold Fund | 56.67 | 50.60 | 11.99% |
| Benchmark Return | | | 12.67% |
| Underperformance | | | -0.68% |

Distribution

There is NIL distribution in the fund during the year.

Breakdown of unit holdings by size:

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|----------------------|-------------------------|
| 1 - 9,999 | 416 |
| 10,000 - 49,999 | 44 |
| 50,000 - 99,999 | 7 |
| 100,000 - 499,999 | 7 |
| 500,000 and above | 1 |
| Total | 475 |



Meezan Bank
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

Alhamdulillah, the period from July 1, 2017 to June 30, 2018 was the third year of operations of Meezan Gold Fund (MGF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MGF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MGF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MGF for the year ended June 30, 2018 have been in compliance with *Shari'ah* principles.

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



Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shari'ah Advisor

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN GOLD FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Gold Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

A handwritten signature in blue ink, appearing to read 'Aftab Ahmed Diwan'.

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

Karachi, September 25, 2018





INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Gold Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Gold Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|--|
| 1 | Amendments to NBFC Regulations, 2008 | |
| | <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(1)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|--|
| | <p>mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 211.87 million and balances with banks aggregated to Rs 29.33 million.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

All:



Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.

Afferguson & Co
Chartered Accountants
Karachi

Date: September 19, 2018



STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-----------|
| Assets | | | |
| Balances with banks | 4 | 29,332 | 61,757 |
| Investment in gold | 5 | 211,865 | 394,636 |
| Receivable against sale of investments | | 1,927 | - |
| Receivable against conversion of units | | 3,516 | 4,419 |
| Profit accrued on balances with banks | | 115 | 73 |
| Total assets | | 246,755 | 460,885 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 6 | 311 | 447 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 7 | 37 | 68 |
| Payable to the Securities and Exchange Commission of Pakistan | 8 | 274 | 292 |
| Payable against conversion and redemption of units | | 280 | 1,090 |
| Payable to Meezan Bank Limited | | 9 | - |
| Accrued expenses and other liabilities | 9 | 2,760 | 1,725 |
| Total liabilities | | 3,671 | 3,622 |
| NET ASSETS | | 243,084 | 457,263 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 243,084 | 457,263 |
| CONTINGENCIES AND COMMITMENTS | 11 | | |
| NUMBER OF UNITS IN ISSUE | | 4,289,651 | 9,061,225 |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | | 56.6676 | 50.4600 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

For AI Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

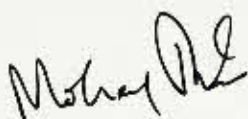
INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

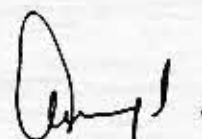
| | Note | 2018 (Rupees in '000) | 2017 |
|---|-------|--------------------------|-----------------|
| Income | | | |
| Profit on balances with banks | | 1,332 | 1,159 |
| Realised gain / (loss) on sale of investments - net | | 21,753 | (2,860) |
| Price adjustment factor | 10 | 3,777 | 61 |
| | | 26,862 | (1,640) |
| Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.1.4 | 28,931 | (21,686) |
| Total income / (loss) | | 55,793 | (23,326) |
| Expenses | | | |
| Remuneration of Al Meezan Investment Limited - Management Company | 6.1 | 3,652 | 3,742 |
| Sindh Sales Tax on remuneration of the Management Company | 6.2 | 475 | 513 |
| Allocated expenses | 6.3 | 365 | 389 |
| Selling and marketing expenses | 6.4 | 70 | - |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 7.1 | 621 | 662 |
| Sindh Sales Tax on remuneration of the Trustee | | 81 | 86 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 8 | 274 | 292 |
| Brokerage expense | | 47 | 35 |
| Auditors' remuneration | 12 | 276 | 314 |
| Fees and subscription | | 1,279 | 410 |
| Printing expense | | 12 | 12 |
| Custodian fee | | 3,468 | 3,216 |
| Legal and professional charges | | 49 | 103 |
| Bank and settlement charges | | 11 | 100 |
| Provision for Sindh Workers' Welfare Fund | 9.1 | 902 | 533 |
| Total expenses | | 11,582 | 10,407 |
| Net income / (loss) | | 44,211 | (33,733) |
| Element of loss and capital losses included in the prices of units issued less those in units redeemed - net | 3.10 | - | (3,085) |
| Net income / (loss) for the year before taxation | | 44,211 | (36,818) |
| Taxation | 15 | - | - |
| Net income / (loss) for the year after taxation | | 44,211 | (36,818) |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | 44,211 | - |
| Income already paid on units redeemed | | (20,579) | - |
| | | 23,632 | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | 23,632 | - |
| - Excluding capital gains | | - | - |
| | | 23,632 | - |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director




STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|-----------------|
| Net income / (loss) for the year after taxation | 44,211 | (36,818) |
| Other comprehensive income for the year | - | - |
| Total comprehensive income / (loss) for the year | 44,211 | (36,818) |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

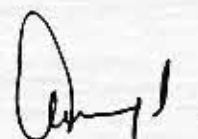
| | 2018 | | |
|--|------------------|-------------------------------|----------------|
| | Capital Value | Undistributed income / (loss) | Total |
| | (Rupees in '000) | | |
| Net assets at beginning of the year | 470,991 | (13,728) | 457,263 |
| Issue of 4,283,795 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 216,160 | - | 216,160 |
| - Element of income | 13,865 | - | 13,865 |
| Total proceeds on issuance of units | 230,025 | - | 230,025 |
| Redemption of 9,055,369 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 456,934 | - | 456,934 |
| - Element of income | 10,902 | 20,579 | 31,481 |
| Total payments on redemption of units | 467,836 | 20,579 | 488,415 |
| Total comprehensive income for the year | - | 44,211 | 44,211 |
| Distribution during the year | - | - | - |
| Net income for the year less distribution | - | 44,211 | 44,211 |
| Net assets at end of the year | 233,180 | 9,904 | 243,084 |
| Undistributed income carried forward | | | |
| Realised loss | | (19,027) | |
| Unrealised income | | 28,931 | |
| | | 9,904 | |
| Accounting income available for distribution | | | |
| Relating to capital gains | | 23,632 | |
| - Excluding capital gains | | - | |
| | | 23,632 | |
| | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 50.4600 |
| Net assets value per unit at end of the year | | | 56.6676 |
| | | | June 30, 2017 |
| | | | Rupees in '000 |
| Capital Value | | | 298,024 |
| Undistributed income brought forward | | | |
| Realised | | | 224 |
| Unrealised | | | 22,866 |
| Net assets at beginning of the year | | | 321,114 |
| Issuance of 9,478,805 units | | | 534,212 |
| Redemption of 6,306,834 units | | | (364,330) |
| | | | 169,882 |
| Element of loss and capital losses included in prices of units issued less those in units redeemed net | | | 3,085 |
| Net realised loss on sale of investments | | | (2,860) |
| Unrealised diminution in the value of investments (net) | | | (21,686) |
| Other net loss for the year | | | (12,272) |
| Total comprehensive income for the year | | | (36,818) |
| Net income for the year less distribution | | | (36,818) |
| Net assets at end of the year | | | 457,263 |
| Represented by: | | | |
| Capital value | | | 470,991 |
| Undistributed income carried forward | | | |
| Realised income | | | 7,958 |
| - Unrealised loss | | | (21,686) |
| | | | 457,263 |
| | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 54.5300 |
| Net assets value per unit at end of the year | | | 50.4600 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



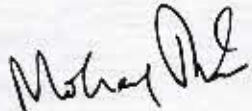


CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income / (loss) for the year before taxation | | 44,211 | (36,818) |
| Adjustments for: | | | |
| Unrealised (appreciation) / diminution on re-measurement of investment in gold | | (28,931) | 21,686 |
| Element of loss and capital losses included in prices of units issued less those in units redeemed - net | | - | 3,085 |
| | | 15,280 | (12,047) |
| Decrease / (increase) in assets | | | |
| Investments - net | | 211,702 | (136,078) |
| Receivable against investments - net | | (1,927) | - |
| Profit receivable on saving accounts | | (42) | 69 |
| | | 209,733 | (136,009) |
| Increase / (decrease) in liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | | (136) | (547) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | (31) | 20 |
| Payable to Securities and Exchange Commission of Pakistan | | (18) | 186 |
| Payable to Meezan Bank Limited | | 9 | - |
| Accrued expenses and other liabilities | | 1,035 | (681) |
| | | 859 | (1,022) |
| Net cash generated from / (used in) operating activities | | 225,872 | (149,078) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipts against conversion of units | | 230,928 | 549,990 |
| Payment against redemption and conversion of units | | (489,225) | (464,558) |
| Dividend paid | | - | (912) |
| Net cash (used in) / generated from financing activities | | (258,297) | 84,520 |
| Net decrease in cash and cash equivalents during the year | | (32,425) | (64,558) |
| Cash and cash equivalents at beginning of the year | | 61,757 | 126,315 |
| Cash and cash equivalents at end of the year | 4 | 29,332 | 61,757 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Gold Fund is an open ended mutual fund constituted under a Trust Deed entered into on October 15, 2014 between Al Meezan Investment Management Company as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The Fund is registered as a Notified entity under Non-Banking Finance Companies and Notified Entities Regulations, (NBFC Regulations) issued through S.R.O.1203(I)/2008 on November 21, 2008. The Fund commenced its operations from August 18, 2015. The registered office of the Management Company is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shariah-e-Faisal, Karachi 74400, Pakistan. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.2** The Fund is an open-ended Shariah Compliant (Islamic) Commodity Fund that aims to provide maximum exposure to prices of Gold in a Shariah Compliant (Islamic) manner by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on Pakistan Mercantile Exchange (PMEX). Furthermore, all investments of the Fund's property shall be in accordance with the Shariah as advised by the Shariah Advisor. The Fund shall also be subject to the rules and regulations framed by the State Bank of Pakistan with regard to the foreign investments made by the Fund and investments made in the Fund from outside Pakistan in foreign currency. The investments in Gold contracts listed at the Commodity Exchange shall be subject to the PMEX Regulations and /or rules and regulations of the pertinent Commodity Exchange, if the Commodity Exchange is other than PMEX. All pertinent contracts, agreements and documents of PMEX shall be approved by Shariah advisor. Under the Trust Deed, all the conducts and acts of the fund are based on Shariah. The management company 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. The investment objectives and policies are explained in the Fund's Offering document.
- 1.3** The Fund has been categorised as a Shariah compliant commodity scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs 50 per unit. Thereafter, the units are being offered for public subscription on a continuous basis from August 13, 2015 and are transferable and redeemable by surrendering them to the Fund.
- 1.4** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund. The fund is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of repealed Companies Ordinance, 1984; and



- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the approved accounting standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 15).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments in gold which is stated at its fair value.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Funds' functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in notes 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the fund are categorised as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3.3.2 Regular way contracts

All purchases and sales of financial asset 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.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. The Fund initially recognises financial assets at fair value plus transactions costs, if any.

3.3.4 Subsequent measurement

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective profit rate method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Investment in gold

Investment in gold is initially recognised at fair value less cost to sell. Subsequent to initial recognition, these are measured at fair value using spot rate (i.e. immediately next day after expired contract) fixed by Pakistan Mercantile Exchange (PMEX). Gain or loss arising from changes in fair value less cost to sell are recognised in Income Statement in the period of change.





3.3.6 Impairment

Financial assets (including loans and receivables)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

3.3.7 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.8 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issuance and redemption of units

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

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

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.





Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 17.264 million net off charge for SWWF with immaterial effect on the 'net assets attributable to the unit holders' and NAV per unit of the Fund as disclosed in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund' respectively. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.11 During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

- Gains / (losses) arising on sale of gold are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of gold are included in the Income Statement in the period in which they arise.
- Profit on balances with banks is recognised on time proportion basis using the effective yield method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

Deferred

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

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

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

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

3.16 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

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

3.17 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

| 4. | BALANCES WITH BANKS | Note | 2018 (Rupees in '000) | 2017 |
|----|-------------------------|------|--------------------------|---------------|
| | Balances with banks in: | | | |
| | Savings accounts | 4.1 | 27,190 | 60,055 |
| | Current account | | 2,142 | 1,702 |
| | | | <u>29,332</u> | <u>61,757</u> |

- 4.1** The balance in saving account have expected profit rates ranging from 2.4% to 6.05% per annum (2017: 2% to 2.4% per annum).

| 5. | INVESTMENT IN GOLD | Note | 2018 (Rupees in '000) | 2017 |
|----|--------------------|------|--------------------------|----------------|
| | Investment in gold | 5.1 | <u>211,865</u> | <u>394,636</u> |



5.1 Investment in gold

| Commodity | As at July 1, 2017 | Purchased during the year | Sold during the year | As at June 30, 2018 (note 5.1.3) | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised gain note (5.1.4) | Percentage in relation to net assets of the fund on the basis of market value of investments (Notes 5.1.1) |
|---------------------------|--------------------|---------------------------|----------------------|-------------------------------------|------------------------------------|----------------------------------|------------------------------|--|
| | | | | | | | | ---Percentage--- |
| (Tola) | | | | | (Rupees in '000) | | | |
| TOLAGOLD | 7,741 | 440 | 4,640 | 3,541 | 182,934 | 211,865 | 28,931 | 87.16 |
| Total as at June 30, 2017 | | | | | 416,322 | 394,636 | (21,686) | |

5.1.1 Net assets are as defined in regulation 66 of NBFC Regulations.

5.1.2 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.

5.1.3 The investment in gold of Rs. 211.865 million (2017: Rs. 394.64 million) has been measured at fair value based on the quoted market price prevailing in the active markets.

| | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|--|------|--------------------------|--------------------------|
| 5.1.4 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | | | |
| Market value of investments | 5.1 | 211,865 | 394,636 |
| Carrying value of investments | 5.1 | 182,934 | 416,322 |
| | | 28,931 | (21,686) |

6. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY - RELATED PARTY

| | | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|---|-----|--------------------------|--------------------------|
| Management fee payable | 6.1 | 193 | 364 |
| Sindh Sales Tax on remuneration of the Management Company | 6.2 | 26 | 47 |
| Allocated expenses payable | 6.3 | 19 | 36 |
| Selling and marketing expenses payable | 6.4 | 70 | - |
| Sales load payable | | 3 | - |
| | | 311 | 447 |

6.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of a commodity scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2017: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2018. The remuneration is payable to the Management Company monthly in arrears.

6.2 During the year, an amount of Rs. 0.475 million (2017: Rs 0.513 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 0.496 million (2017: Rs.0.517 million) has been paid to the Management Company which acts as a collecting agent.

6.3 The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

6.4 The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum

cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund with effect from June 4, 2018 at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-----------|
| 7. PAYABLE TO CENTRAL DEPOSITORY COMPANY - TRUSTEE | | | |
| Trustee fee payable | 7.1 | 33 | 60 |
| Sindh Sales Tax payable on trustee fee | | 4 | 8 |
| | | 37 | 68 |

7.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1 billion 0.17% per annum of net assets
- from Rs 1 billion to Rs.5 billion Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1 billion.
- exceeding Rs.5 billion Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs 5 billion.

During the year, an amount of Rs 81,000 (2017: Rs 86,000) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 85,000 (2017: Rs.84,000) was paid to the Trustee which acts as a collecting agent.

8. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a collective investment scheme classified as a commodity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.075% of the average annual net assets of the Fund as annual fee.

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|--------------|
| 9. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 250 | 174 |
| Custodian fee payable | | 164 | 103 |
| Brokerage payable | | - | 11 |
| Shariah advisor fee payable | | 161 | 162 |
| Withholding tax payable | | 21 | 21 |
| Capital gain tax payable | | 8 | 10 |
| Provision for Sindh Workers' Welfare Fund | 9.1 | 1,435 | 533 |
| Zakat payable | | 10 | - |
| Provision for Federal Exercise Duty and related | | | |
| Sindh sales tax on management fee | 9.2 | 414 | 414 |
| Provision for Federal Exercise Duty and related | | | |
| Sindh sales tax on sales load | 9.2 | 297 | 297 |
| | | 2,760 | 1,725 |

9.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution



(Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.33 per unit (2017: Re 0.06 per unit).

- 9.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16% on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 0.711 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.17 (2017: Re 0.08) per unit.

10. PRICE ADJUSTEMENT CHARGES

Securities and Exchange Commission of Pakistan (SECP) vide a circular no.40 SCD/AMCW/ MGF/63/2017 dated June 14, 2017, allowed the fund to charge price adjustment charges. Price adjustment charges is difference between the offer price and the bid price from the closing price of the Gold transactions (Contract) available at PMEX, which is added to and deducted from the NAV to determine Offer and Redemption prices respectively. Such charges form part of Fund Property.

Currently, Price adjustment charges added/ Deducted to form NAV of the fund to determine offer / redemption price is 1% of NAV.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 12. AUDITORS' REMUNERATION | | | |
| Annual audit fee | | 150 | 135 |
| Half yearly review of condensed interim financial information | | 75 | 75 |
| Fee for other certifications | | 40 | 60 |
| Out of pocket expenses | | 11 | 44 |
| | | 276 | 314 |
| 13. TOTAL EXPENSE RATIO | | | |

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 3.21% which includes 0.48% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 3% (before levies) prescribed under the NBFC Regulations for a collective investment scheme categorised as commodity scheme.

| 14. PERFORMANCE TABLE | 2018 | 2017 | 2016 |
|---|-----------------|------------------|--------------------|
| Net assets (Rs in '000) (ex-distribution) | 243,084 | 457,263 | 321,114 |
| Net assets value per unit as at 30 June (Rs.) (ex-distribution) | 56.6676 | 50.4600 | 54.5300 |
| Offer price per unit as at 30 June (Rs.) (ex-distribution) | 58.5150 | - | 54.5400 |
| Highest offer price per unit (Rs.) | 59.4190 | 57.2900 | 54.6800 |
| Lowest offer price per unit (Rs.) | 45.9900 | 49.2400 | 47.1700 |
| Highest redemption price per unit (Rs.) | 56.9677 | 56.0200 | 54.5400 |
| Lowest redemption price per unit (Rs.) | 44.4800 | 48.1700 | 47.6800 |
| Distribution (%) | | | |
| - Interim | - | - | 1.40 |
| Date of distribution | | | |
| - Interim | - | - | June 23, 2016 |
| Income distribution (Rs. in '000) | - | - | 3562 |
| Total return (%) | 12.00 | (7.20) | 10.50 |
| | One year | Two years | Three years |
| Average annual return as at June 30, 2018 (%) | 12.00 | 1.95 | 1.26 |

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

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

15. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. No provision for taxation has been made in these financial statements during the year since the income of the fund only pertains to capital gains (realised and unrealised).



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

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 16.1** Connected persons include Al Meezan Investment Management Company being the Management Company, the Central Depository Company being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 16.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 16.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.
- 16.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 16.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

| | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|--------|
| Al Meezan Investment Management Limited | | |
| - Management Company | | |
| Remuneration charged | 3,652 | 3,742 |
| Sindh Sales Tax on remuneration of the Management Company | 475 | 513 |
| Allocated expenses | 365 | 389 |
| Selling and marketing expenses | 70 | - |
| Issue of Nil (2017: 1,040,545) units | - | 58,000 |
| Redemption of 702,463 (2017: 722,083) units | 36,507 | 40,000 |
| -Balances | | |
| Management fee payable | 193 | 364 |
| Sindh Sales Tax on remuneration of the Management Company | 26 | 47 |
| Allocated expenses payable | 19 | - |
| Selling and marketing expenses payable | 70 | - |
| Sales load payable | 3 | 36 |
| Investment of 'nil' units (June 30, 2017: 702,463 units) | - | 35,446 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration of the Trustee | 621 | 662 |
| Sindh Sales Tax on remuneration of the Trustee | 81 | 86 |
| -Balances | | |
| Trustee fee payable | 33 | 60 |
| Sindh Sales Tax payable on trustee fee | 4 | 8 |
| Meezan Bank Limited | | |
| Profit Income | 757 | 824 |

| | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|---------------|
| -Balances | | |
| Sales load payable | 8 | - |
| Sindh Sales tax on sales load | 1 | - |
| Bank Balance | <u>11,650</u> | <u>61,569</u> |
| Profit on saving account | <u>24</u> | <u>73</u> |
| Directors and their close family members and key management personnel of the Management Company | | |
| Issue of 54,805 (2017: 81,871) units | <u>2,930</u> | 4,239 |
| Redemption of 24,128 (2017: 102,979) units | <u>1,252</u> | 5,442 |
| -Balances | | |
| Outstanding 197,738 (2017: 167,781) units | <u>11,205</u> | 8,466 |
| Unitholders holding 10% or more of units of the Fund | | |
| Investment of 1,363,271 units (June 30, 2017: 3,590,387 units) | <u>77,253</u> | 181,674 |

16.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

17. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | |
|--|-----------------------|--------------------------------------|---------------|
| | Loans and receivables | At fair value through profit or loss | Total |
| | (Rupees in '000) | | |
| Financial assets | | | |
| Balances with banks | 29,332 | - | 29,332 |
| Receivable against sale of investments | 1,927 | - | 1,927 |
| Receivable against conversion of units | 3,516 | - | 3,516 |
| Profit accrued on balances with banks | 115 | - | 115 |
| | <u>34,890</u> | - | <u>34,890</u> |

| | 2018 | | |
|---|--------------------------------------|-------------------|--------------|
| | At fair value through profit or loss | At amortised cost | Total |
| | (Rupees in '000) | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | 311 | 311 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | 37 | 37 |
| Payable to Meezan Bank Limited | - | 9 | 9 |
| Payable against conversion and redemption of units | - | 280 | 280 |
| Accrued expenses and other liabilities | - | 575 | 575 |
| | - | <u>1,212</u> | <u>1,212</u> |



| | 2017 | | |
|---|--------------------------------------|--------------------------------------|---------------|
| | Loans and receivables | At fair value through profit or loss | Total |
| | (Rupees in '000) | | |
| Financial assets | | | |
| Balances with banks | 61,757 | - | 61,757 |
| Receivable against conversion of units | 4,419 | - | 4,419 |
| Profit accrued on balances with banks | 73 | - | 73 |
| | <u>66,249</u> | <u>-</u> | <u>66,249</u> |
| | 2017 | | |
| | At fair value through profit or loss | At amortised cost | Total |
| | (Rupees in '000) | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment Management Limited | | | |
| - Management Company | - | 447 | 447 |
| Payable to the Central Depository Company of Pakistan Limited | | | |
| - Trustee | - | 68 | 68 |
| Payable against conversion and redemption of units | - | 1,090 | 1,090 |
| Accrued expenses and other liabilities | - | 450 | 450 |
| | <u>-</u> | <u>2,055</u> | <u>2,055</u> |

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risks managed and measured by the Fund are explained below:

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

(i) Profit rate risk

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

Cash flow profit rate risk

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

During the year ended June 30, 2018, the net income would have increased / decreased by Rs. 0.001 million (June 30, 2017: Rs. 0.001 million) had the profit rates on profit and loss saving accounts increased / (decreased) by 100 basis points.

Fair value profit rate risk

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

Profit 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 instruments is based on the settlement date.

| | Effective yield / interest rate (%) | 2018 | | | Total | |
|---|-------------------------------------|---------------------------------------|--|--------------------|-------|---|
| | | Exposed to yield / interest rate risk | | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.40% - 6.05% | 27,190 | - | - | 2,142 | 29,332 |
| Receivable against sale of investments | | - | - | - | 1,927 | 1,927 |
| Receivable against conversion of units | | - | - | - | 3,516 | 3,516 |
| Profit accrued on balances with banks | | - | - | - | 115 | 115 |
| | | 27,190 | - | - | 7,700 | 34,890 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | - | 311 | 311 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | | - | - | - | 37 | 37 |
| Payable to Meezan Bank Limited | | - | - | - | 9 | 9 |
| Payable against conversion and redemption of units | | - | - | - | 280 | 280 |
| Accrued expenses and other liabilities | | - | - | - | 575 | 575 |
| | | - | - | - | 1,212 | 1,212 |
| On-balance sheet gap (a) | | 27,190 | - | - | 6,488 | 33,678 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 27,190 | - | - | - | - |
| Cumulative profit rate sensitivity gap | | 27,190 | 27,190 | 27,190 | - | - |

| | Effective yield / interest rate (%) | 2017 | | | Total | |
|---|-------------------------------------|---------------------------------------|--|--------------------|-------|---|
| | | Exposed to yield / interest rate risk | | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2% - 2.4% | 60,055 | - | - | 1,702 | 61,757 |
| Receivable against conversion of units | | - | - | - | 4,419 | 4,419 |
| Profit accrued on balances with banks | | - | - | - | 73 | 73 |
| | | 60,055 | - | - | 6,194 | 66,249 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | - | 447 | 447 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | | - | - | - | 68 | 68 |
| Payable to Meezan Bank Limited | | - | - | - | 9 | 9 |
| Payable against conversion and redemption of units | | - | - | - | 1,090 | 1,090 |
| Accrued expenses and other liabilities | | - | - | - | 450 | 450 |
| | | - | - | - | 2,064 | 2,064 |
| On-balance sheet gap (a) | | 60,055 | - | - | 4,130 | 64,185 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 60,055 | - | - | - | - |
| Cumulative profit rate sensitivity gap | | 60,055 | 60,055 | 60,055 | - | - |





(ii) 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.

(iii) Price risk

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unitholders by investing a significant portion of the Fund's net assets in deliverable gold based contracts in a Shariah compliant manner available on Pakistan Mercantile Exchange (PMEX). The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the SECP. Further, it is managed by monitoring exposure to gold and by complying with the internal risk management policies and regulations laid down in NBFC Regulations.

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

18.2 Liquidity risk

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

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

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

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

In addition to unitholder fund, analysis of the Fund's financial assets and financial liabilities into relevant maturity grouping as at June 30, 2018 is tabulated below:

| | 2018 | | | | | | Total |
|---|------------------|---|--|---------------------------------------|-------------------|--|---------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five year | More than 5 years | Financial instruments with no fixed maturity | |
| | (Rupees in '000) | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 29,332 | - | - | - | - | - | 29,332 |
| Receivable against sale of investments | 1,927 | - | - | - | - | - | 1,927 |
| Receivable against conversion of units | 3,516 | - | - | - | - | - | 3,516 |
| Profit accrued on balances with banks | 115 | - | - | - | - | - | 115 |
| | 34,890 | - | - | - | - | - | 34,890 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | 311 | - | - | - | - | - | 311 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | 37 | - | - | - | - | - | 37 |
| Payable to Meezan Bank Limited | 9 | - | - | - | - | - | 9 |
| Payable against conversion and redemption of units | 280 | - | - | - | - | - | 280 |
| Accrued expenses and other liabilities | - | 575 | - | - | - | - | 575 |
| | 637 | 575 | - | - | - | - | 1,212 |
| Net assets / (liabilities) | 34,253 | (575) | - | - | - | - | 33,678 |
| | 2017 | | | | | | |
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five year | More than 5 years | Financial instruments with no fixed maturity | Total |
| | (Rupees in '000) | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 61,757 | - | - | - | - | - | 61,757 |
| Receivable against conversion of units | 4,419 | - | - | - | - | - | 4,419 |
| Profit accrued on balances with banks | 73 | - | - | - | - | - | 73 |
| | 66,249 | - | - | - | - | - | 66,249 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | 447 | - | - | - | - | - | 447 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | 68 | - | - | - | - | - | 68 |
| Payable against conversion and redemption of units | 1,090 | - | - | - | - | - | 1,090 |
| Accrued expenses and other liabilities | - | 450 | - | - | - | - | 450 |
| | 1,605 | 450 | - | - | - | - | 2,055 |
| Net assets / (liabilities) | 64,644 | (450) | - | - | - | - | 64,194 |

18.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

Credit risk arises from balances with banks, profit accrued on balances with banks and receivable against conversion of units.

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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





The table below analysis the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| (Rupees in '000) | | | | |
| Balances with banks | 29,332 | 29,332 | 61,757 | 61,757 |
| Receivable against sale of investments | 1,927 | 1,927 | - | - |
| Receivable against conversion of units | 3,516 | 3,516 | 4,419 | 4,419 |
| Profit accrued on balances with banks | 115 | 115 | 73 | 73 |
| | 34,890 | 34,890 | 66,249 | 66,249 |

18.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued on bank balances thereon, cheques in hand, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|--|----------------|
| | 2018 | 2017 |
| AA | 41.40% | 99.71% |
| AAA | 58.60% | 0.29% |
| | 100.00% | 100.00% |

18.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

19. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Investments in gold are non-financial assets, therefore, the fair value is disclosed in note 5.1 to these financial statements.

As at June 30, 2018, the Fund does not hold any assets which required fair valuation.

20. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund's objectives when managing unit holders funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management. The Fund has no restrictions on the subscription and redemption of units.

As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

21. COMMODITY RISK MANAGEMENT

21.1 Commodity risk

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

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

In case of 1% increase / decrease in the price of gold fixed by Pakistan Mercantile Exchange (PMEX) as on June 30, 2018, with all other variables held constant, the total income of the Fund for the year would increase / decrease by Rs 2.119 million (2017: Rs 3.946 million) and the net assets of the Fund would increase / decrease by the same amount as a result of change in the fair value thereof.



22. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|----------------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 470 | 156,649 | 64.44 | 373 | 146,507 | 32.04 |
| Associated companies / directors | - | - | 0.00 | 1 | 35,446 | 7.75 |
| Bank / DFIs | 1 | 56,668 | 23.32 | 1 | 50,460 | 11.04 |
| Insurance companies | 1 | 20,586 | 8.47 | 3 | 195,576 | 42.77 |
| Retirement fund | 1 | 6,913 | 2.84 | 1 | 6,137 | 1.34 |
| Private limited companies | - | - | - | 1 | 20,380 | 4.46 |
| Others | 2 | 2,268 | 0.93 | 4 | 2,757 | 0.60 |
| | 475 | 243,084 | 100.00% | 384 | 457,263 | 100.00% |

23. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|---------------------------------------|-------------------------------|---------------------------------------|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| Arif Habib Limited | 26% | Arif Habib Limited | 18% |
| Shajar Capital Limited | 16% | Top Line Securities (Private) Limited | 17% |
| Top Line Securities (Private) Limited | 14% | AKD Securities Limited | 16% |
| AKD Securities Limited | 13% | Fortune Securities Limited | 16% |
| Fortune Securities Limited | 12% | IGI Finex Securities Limited | 12% |
| BIPL Securities Limited | 10% | Shajar Capital Limited | 12% |
| IGI Finex Securities Limited | 10% | BIPL Securities Limited | 8% |

24. INVESTMENT COMMITTEE MEMBERS

| Name | Designation | Qualification | Experience in years |
|---------------------|--------------------------|--|---------------------|
| Mr. Mohammad Shoaib | Chief Executive Officer | CFA / MBA | Twenty Eight years |
| Mr. Muhammad Asad | Chief Investment Officer | CFA level II / MBA | Twenty Two years |
| Mr. Ahmed Hassan | VP Investments | CFA / MBA | Eleven years |
| Mr. Ali Khan | VP Product Development | CFA / FRM / MBA | Eight years |
| Mr. Zain Malik | VP Investments | CFA / BBA | Nine years |
| Mr. Asif Imtiaz | Senior Manager | CFA / MBA | Ten years |
| Mr. Imad Ansari | Head of Risk Management | B.S Actuarial Sciences & Risk Management / MBA | Thirteen years |
| Mr. Ali Asghar | AVP/Head of Research | CFA level II / BBA / MBA (in progress) | Seven years |

The Fund Manager of the Fund is Mr. Ali Khan.

25. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

Meeting held on

| Name | Designation | Meeting held on | | | | |
|--------------------------|-------------------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive Officer | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | - | - | - | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | - |
| Ms. Saima Kamila Khan ** | Director | - | - | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | - | - | - |
| Mazhar Sharif *** | Director | Yes | Yes | - | - | - |
| Mr. Naeem Sattar *** | Director | - | - | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

26. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

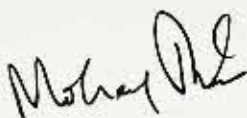
27. DATE OF AUTHORISATION FOR ISSUE

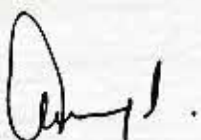
These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

28. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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

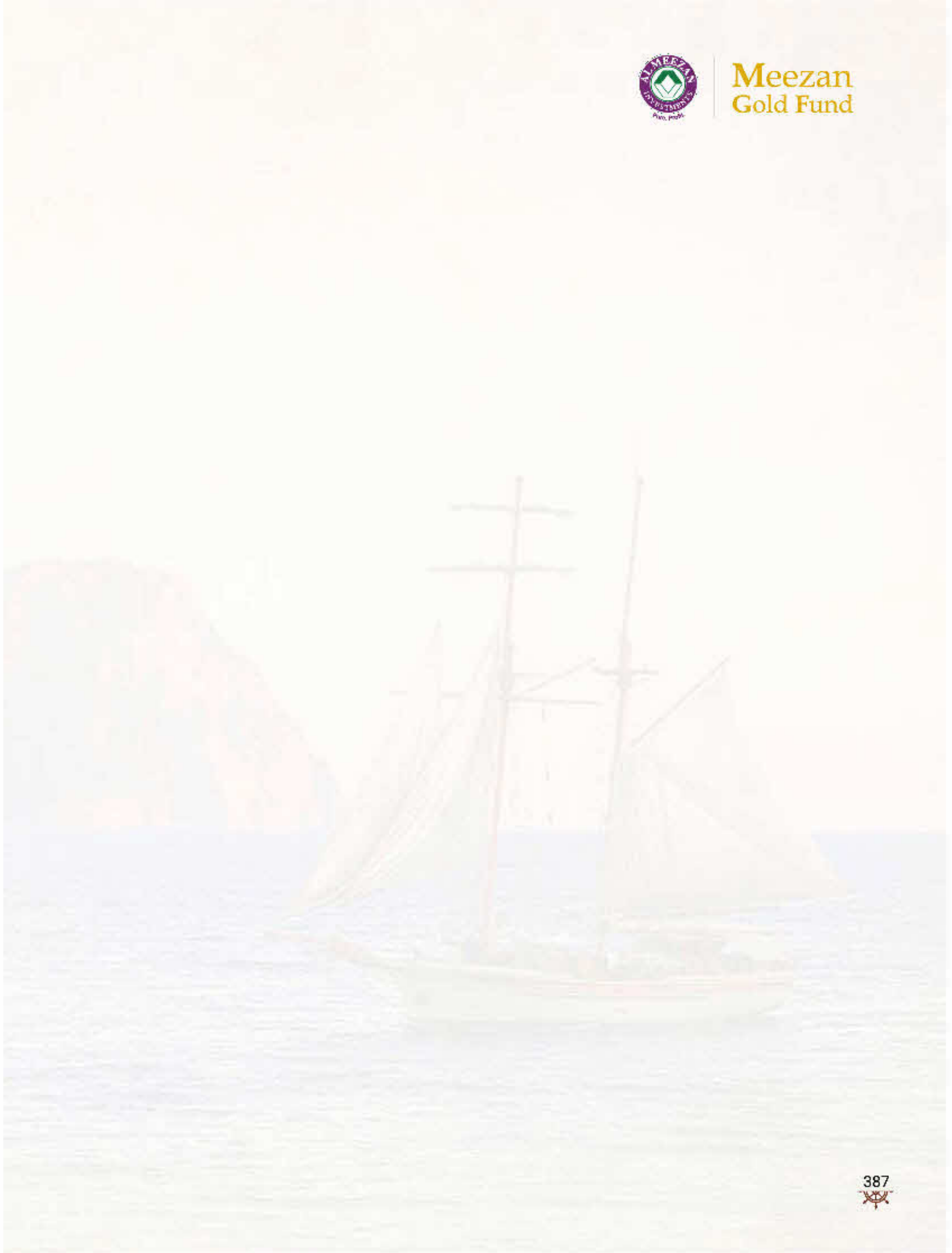

Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director





Meezan Gold Fund



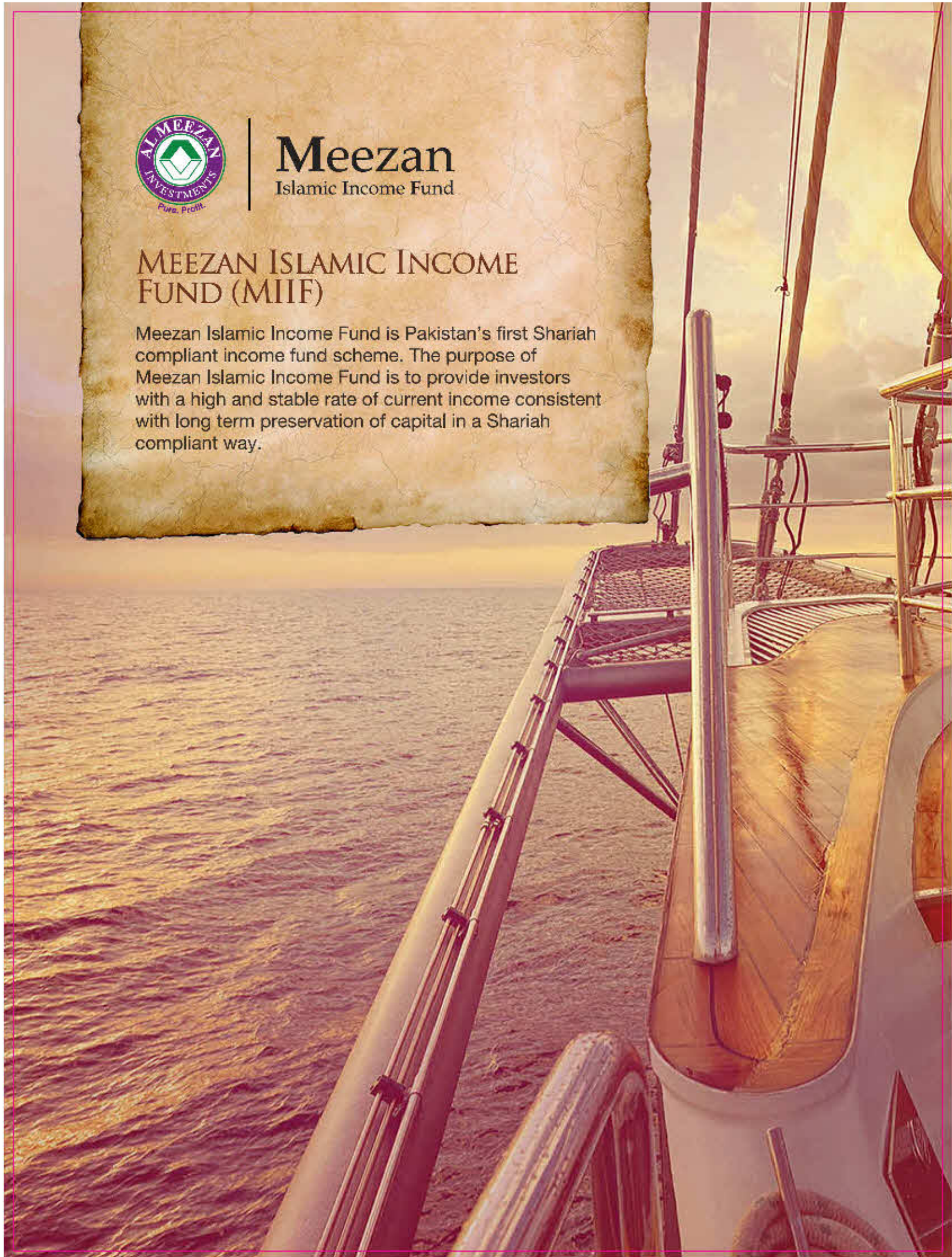


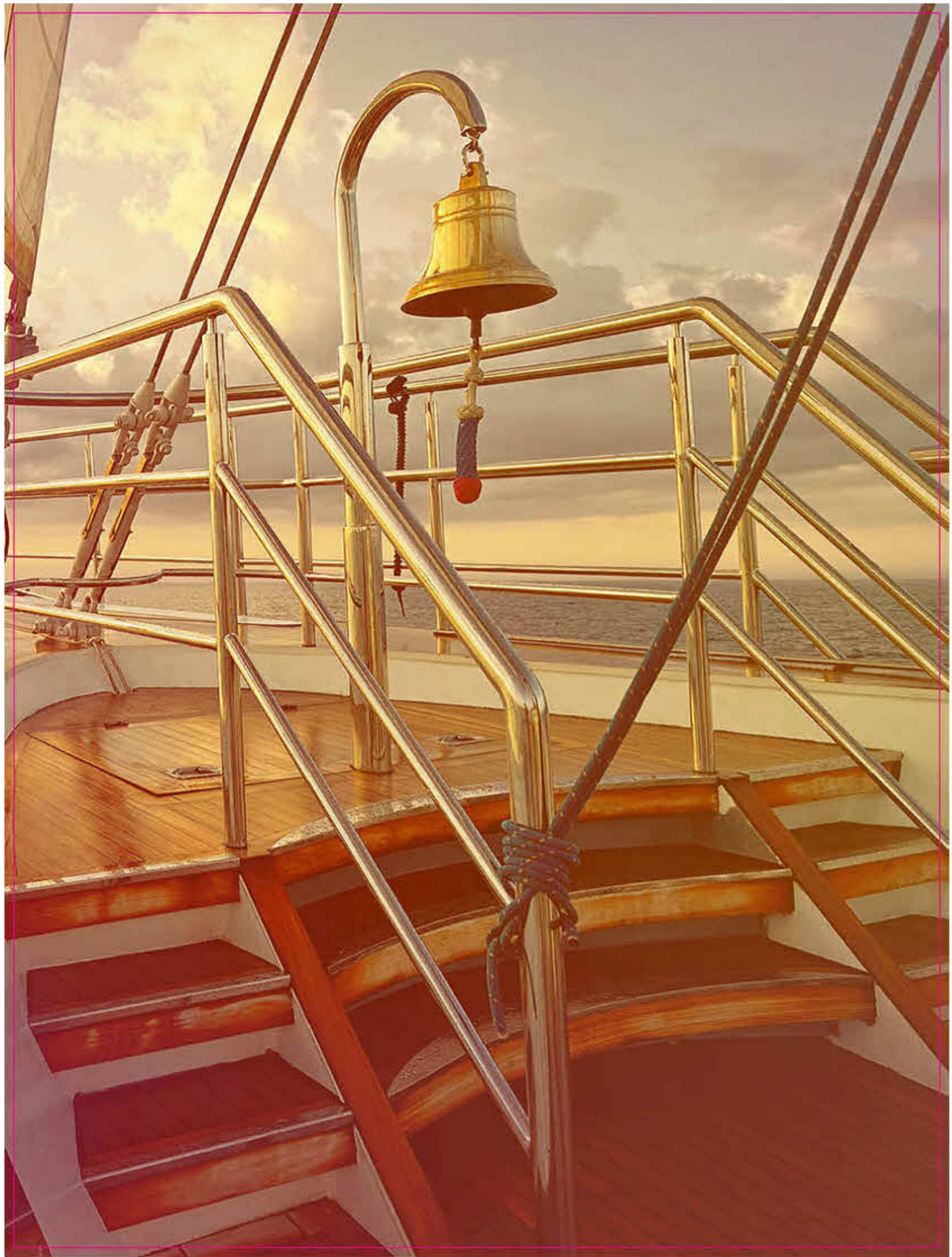
Meezan

Islamic Income Fund

MEEZAN ISLAMIC INCOME FUND (MIIF)

Meezan Islamic Income Fund is Pakistan's first Shariah compliant income fund scheme. The purpose of Meezan Islamic Income Fund is to provide investors with a high and stable rate of current income consistent with long term preservation of capital in a Shariah compliant way.





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoalb, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director - MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director - MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director - MBL |
| Mr. Naeem Abdul Sattar | Nominee Director - PKIC |
| Syed Amir Ali Zaidi | Nominee Director - PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | Member |
| Mr. Mohammad Shoalb, 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

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Allied Bank Limited
Al Baraka Islamic Bank B.S.C (E.C)
Askari Bank Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Bank Alfalah Limited
Bankislami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited - Islamic Banking
Habib Bank Limited - Islamic Banking

Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
Samba Bank Limited
Sindh Bank 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, SITE, Karachi.
Phone: 38103538 Fax: 36406017
Website: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Open end mutual fund which falls under the Income Fund category.

Objective

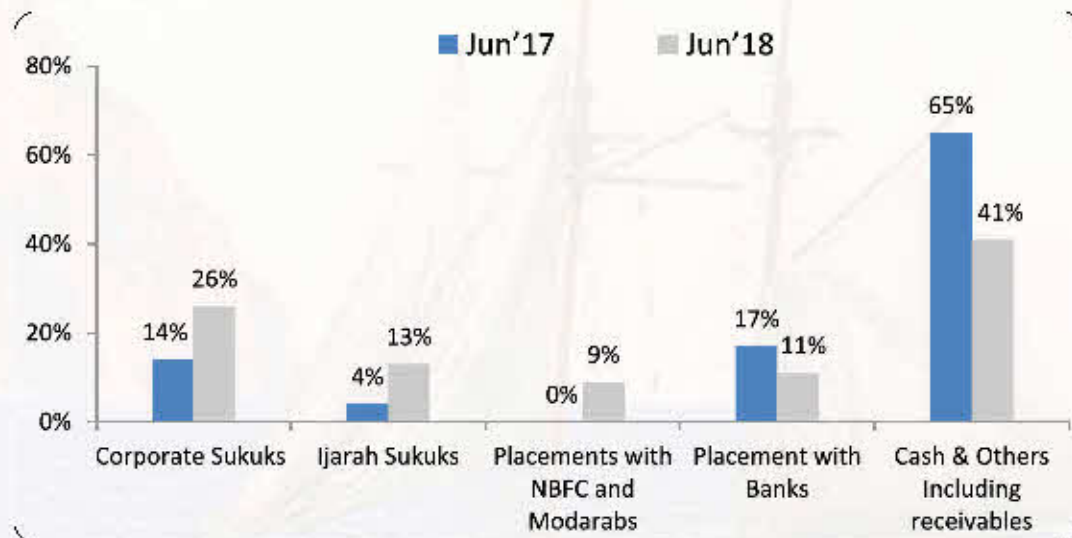
The Fund's primary objective is to provide investors with a competitive and stable rate of current income in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide investors with a rate of total return consistent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

Strategy, Investment policy and asset allocation

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

During the year, the focus was on proactive and continuous reallocation between high yield instruments, so as to maximize fund yield, while maintaining a balance within the risk management constraints. Term Deposits were also placed in order to lock in relatively higher profit rates.

Sector Allocation as on June 30, 2017 and 2018



Performance Review

During FY18, Meezan Islamic Income Fund (MIIF) provided a full year return of 4.27% as compared to its benchmark return of 2.44%. The fund manager remained on a continuous look out for deployment opportunities in high quality corporate Sukuks and investments were made in Sukuks issued by companies in the Pharmaceutical, Financial, Power and Oil sector during the year. In line with monetary tightening expectations, TDRs above six months' tenor were not placed during the year. The fund has three non performing Sukuks currently (Sukuks of Eden Housing Limited, Security Leasing Company Limited and Arzoo Textile Mills Limited) but it is pertinent to note that these stand fully provided for; a case for Arzoo Textile Mills Limited Sukuks is already under contestation in the courts, for Eden Housing Limited, Bank Islami is currently in the process of filing a case against the company since rescheduling terms could not be agreed and for Security Leasing Company Limited, negotiations have not been

very fruitful so it appears that the most likely way forward will be procession of legal proceedings against the company but the Sukuks holders are yet to reach a conclusion on the matter. As at year end, the fund was invested 34% in Islamic Corporate Sukuks, 5% in GoP Ijarah Sukuks, 20% in Islamic Bank Placements and others 41% in Islamic Bank Deposits including other receivables.

The Fund earned a gross income of Rs. 618 million, which was primarily due to profit on Sukuks certificates amounting worth Rs. 246 million. Profit on saving accounts at Islamic banks including profit on term deposit receipts contributed Rs. 397 million, while realized loss on sale of Sukuks certificates was Rs. 25 million. On the other side, the fund incurred unrealized diminution worth Rs. 31 million. The fund also incurred expenses totalling to Rs. 159 million, which brought the net income figure to Rs. 459 million. The net assets of the Fund as at June 30, 2018 were Rs. 10,166 million as compared to Rs. 11,781 million at the end of last year depicting a decline of 13.71%. The net asset value per unit as at June 30, 2018 was Rs. 53.59 as compared to Rs. 51.39 per unit as on June 30, 2017.

| | MIF | Islamic Bank Deposits |
|----------------------------------|--------------|------------------------------|
| Net Asset Value on June 30, 2017 | 51.39 | |
| Net Asset Value on June 30, 2018 | 53.59 | |
| Return for the year | 4.27% | 2.44% |
| Outperformance | 1.83% | |

Fund Rating

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

Distributions

The final Payout by the Fund during the fiscal year ended June 30, 2018 was Rs. 2.19 per unit (4.39%). Total distribution made by the fund was Rs. 246 million.

Breakdown of unit holdings by size:

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|----------------------|-------------------------|
| 1 - 9,999 | 3,790 |
| 10,000 - 49,999 | 1,158 |
| 50,000 - 99,999 | 213 |
| 100,000 - 499,999 | 161 |
| 500,000 and above | 50 |
| Total | 5,372 |





Meezan Bank
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

Alhamdulillah, the period from July 01, 2017 to June 30, 2018 was the twelfth year of operations of Meezan Islamic Income Fund (MIIF) under management of Al Meezan Investment Management Limited (AMIM). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 7.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MIIF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MIIF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MIIF for the year ended June 30, 2018 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shari'ah Advisor

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shakra-e-Faisal,
Karachi - 74400, Pakistan.
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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC INCOME FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Income Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Islamic Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|---|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impacts of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly includes changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We performed walkthrough tests for ensuring compliance with the revised requirements and in this respect obtained reports of distribution of income and refund of capital by the Fund.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to assess their compliance with the revised regulations.</p> |

Ali W

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|--|
| | <p>from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The SECP notification also stipulates that the accounting income available for distribution as appearing in the "Income Statement" excludes income already paid on units redeemed during the year. Accordingly, the net amount appearing on the "Income Statement" after deducting the income already paid on units redeemed is to be considered as the distributable amount.</p> <p>In order to avail tax exemption, the Fund has to distribute 90 percent of its accounting income (excluding realised and unrealised capital gains). However, at the time of distribution of income, the element of income contributed on issue of units recognized in the equity during the year is required to be refunded on the units in the same proportion in which income is distributed from the Income Statement i.e after taking into account the amount of income already paid on units redeemed. Management has developed a system for carrying out the calculations for such distributions.</p> <p>These calculations are important from the point of view of ensuring compliance with the applicable requirements. The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | <p>We recalculated the profit available for distribution taking into account amount already distributed at the time of redemption.</p> <p>We verified the accuracy of the management report for allocation of distributable amount between "distribution out of income" and "refund of capital". This included testing the parameters of the report.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 5.99 billion and balances with banks aggregated to Rs 4.07 billion.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of the key controls for valuation of investments; • Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; • Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; • Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and • Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

ALL





A.F.FERGUSON & CO.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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A.F. FERGUSON & Co.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.

Atif Hussain
Chartered Accountants

Karachi

Date: September 19, 2018





STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-------------|
| Assets | | | |
| Balances with banks | 4 | 4,070,871 | 8,138,062 |
| Investments | 5 | 5,993,947 | 5,116,078 |
| Receivable against conversion of units | | 129,263 | 1,202,964 |
| Deposits, prepayments and other receivables | 6 | 116,395 | 159,081 |
| Total assets | | 10,310,476 | 14,616,185 |
| Liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 7 | 7,743 | 14,968 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 8 | 783 | 798 |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 8,207 | 7,979 |
| Payable to Meezan Bank Limited | | 1,708 | 673 |
| Payable against conversion and redemption of units | | 49,459 | 2,712,438 |
| Accrued expenses and other liabilities | 10 | 76,662 | 97,903 |
| Total liabilities | | 144,562 | 2,834,759 |
| NET ASSETS | | 10,165,914 | 11,781,426 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 10,165,914 | 11,781,426 |
| CONTINGENCIES AND COMMITMENTS | 11 | | |
| NUMBER OF UNITS IN ISSUE | | 189,709,138 | 229,249,833 |
| NET ASSET VALUE PER UNIT | | 53.5868 | 51.3900 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

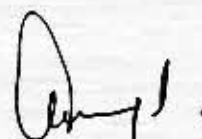
| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|----------------|
| Income | | | |
| Profit earned | 12 | 673,909 | 622,904 |
| Profit on Bai Muajjal | | - | 21,105 |
| Realsised (loss) / gain on sale of investments - net | | (24,853) | 6,528 |
| Reversal of provision for Workers' Welfare Fund (WWF) | | - | 45,462 |
| Other income | | 94 | 1,201 |
| | | 649,150 | 697,200 |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.3 | (31,000) | 50,303 |
| Total income | | 618,150 | 747,503 |
| Expenses | | | |
| Remuneration of AI Meezan Investment Management Limited - Management Company | 7.1 | 103,021 | 159,579 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 | 13,393 | 20,745 |
| Allocated expenses | 7.3 | 10,944 | 10,639 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 8.1 | 9,261 | 9,047 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 1,204 | 1,176 |
| Annual fees to the Securities and Exchange Commission of Pakistan | | 8,207 | 7,979 |
| Brokerage expense | | 633 | 381 |
| Auditors' remuneration | 13 | 603 | 561 |
| Fees and subscriptions | | 1,549 | 1,172 |
| Printing expenses | | 786 | 446 |
| Legal and professional charges | | 76 | 103 |
| Bank & settlement charges | | 389 | 181 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 10.1 | 9,362 | 12,974 |
| Total expenses | | 159,428 | 224,983 |
| Net income from operating activities | | 458,722 | 522,520 |
| Element of loss and capital losses included in the prices of units issued less those in units redeemed - net | 3.10 | - | (201,657) |
| Net income for the year before taxation | | 458,722 | 320,863 |
| Taxation | 16 | - | - |
| Net income for the year after taxation | | 458,722 | 320,863 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | 458,722 | - |
| Income already paid on units redeemed | | (212,919) | - |
| | | 245,803 | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | 245,803 | - |
| | | 245,803 | - |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**



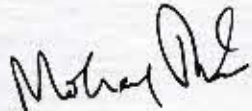


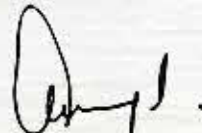
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|---------|
| Net income for the year after taxation | 458,722 | 320,863 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | 458,722 | 320,863 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

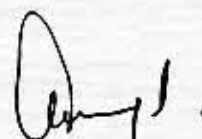
| | 2018 | | |
|--|------------------|-------------------------------|----------------|
| | Capital Value | Undistributed income / (loss) | Total |
| | (Rupees in '000) | | |
| Net assets at beginning of the year | 11,616,350 | 165,076 | 11,781,426 |
| Issue of 461,491,894 units | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 23,716,068 | - | 23,716,068 |
| - Element of income | 372,251 | - | 372,251 |
| Total proceeds on issuance of units | 24,088,319 | - | 24,088,319 |
| Redemption of 501,032,589 units | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 25,748,065 | - | 25,748,065 |
| - Element of income | 201,569 | 212,919 | 414,488 |
| Total payments on redemption of units | 25,949,634 | 212,919 | 26,162,553 |
| Total comprehensive income for the year | - | 458,722 | 458,722 |
| Distribution during the year | - | - | - |
| Net income for the year less distribution | - | 458,722 | 458,722 |
| Net assets at end of the year | 9,755,035 | 410,879 | 10,165,914 |
| Undistributed income carried forward | | | |
| Realised income | | 441,879 | |
| - Unrealised loss | | (31,000) | |
| | | 410,879 | |
| Accounting income available for distribution * | | | |
| - Relating to capital gains | | - | |
| - Excluding capital gains | | 245,803 | |
| | | 245,803 | |
| | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 51.3900 |
| Net assets value per unit at end of the year | | | 53.5868 |
| | | | June 30, 2017 |
| | | | Rupees in '000 |
| Capital Value | | | 8,911,616 |
| Undistributed income brought forward | | | |
| Realised | | | 115,433 |
| - Unrealised | | | 24,368 |
| Net assets at beginning of the year | | | 9,051,417 |
| Issuance of 707,355,259 units | | | 37,035,087 |
| Redemption of 654,610,829 units | | | (34,532,010) |
| | | | 2,503,077 |
| Element of loss and capital losses included in prices of units issued less those in units redeemed - net | | | 201,657 |
| Net realised gain on sale of sukuk certificates | | | 6,528 |
| Unrealised appreciation in the value of investments (net) | | | 50,303 |
| Other net income for the year | | | 264,032 |
| Total comprehensive income for the year | | | 320,863 |
| Interim distribution for the year ended June 30, 2017 cash dividend @ 5.5% i.e. Rs. 2.75 per unit | | | (295,588) |
| Net income for the year less distribution | | | 25,275 |
| Net assets at end of the year | | | 11,781,426 |
| Represented by: | | | |
| Capital value | | | 11,616,350 |
| Undistributed income carried forward | | | |
| Realised income | | | 114,773 |
| - Unrealised income | | | 50,303 |
| | | | 11,781,426 |
| | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 51.2800 |
| Net assets value per unit at end of the year | | | 51.3900 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**





CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year before taxation | | 458,722 | 320,863 |
| Adjustments for: | | | |
| Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | | 31,000 | (50,303) |
| Element of loss and capital losses included in the prices of units issued less those in units redeemed - net | | - | 201,657 |
| | | 489,722 | 472,217 |
| Decrease / (increase) in assets | | | |
| Investments - net | | 221,131 | 1,033,220 |
| Deposits, prepayments and other receivables | | 42,686 | (73,335) |
| | | 263,817 | 959,885 |
| (Decrease) / Increase in liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | | (7,225) | 1,243 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | (15) | 64 |
| Payable to the Securities and Exchange Commission of Pakistan | | 228 | 1,759 |
| Payable to Meezan Bank Limited | | 1,035 | (561) |
| Accrued expenses and other liabilities | | (21,241) | (39,194) |
| | | (27,218) | (36,689) |
| Net cash generated from operating activities | | 726,321 | 1,395,413 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipts against issuance and conversion of units | | 25,162,020 | 36,690,371 |
| Payments against redemption and conversion of units | | (28,825,532) | (32,157,434) |
| Dividend paid | | - | (295,588) |
| Net cash (used in) / generated from financing activities | | (3,663,512) | 4,237,349 |
| Net (decrease) / increase in cash and cash equivalents | | (2,937,191) | 5,632,762 |
| Cash and cash equivalents at the beginning of the year | | 8,138,062 | 2,505,300 |
| Cash and cash equivalents at the end of the year | 18 | 5,200,871 | 8,138,062 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Islamic Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) notified through S.R.O. 1203 (I) / 2008 on November 21, 2008. The Management Company has been licensed by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns, if available, at any given point of time. Under the Trust Deed all conducts and acts of the Fund are based on Shariah principles. Meezan Bank Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorised as an Open End Shariah Compliant (Islamic) Income Scheme in accordance with Circular 7 of 2009 issued by the SECP.
- 1.4** The title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.
- 1.5** The Fund has been given a stability rating of A(f) by JCR-VIS Credit Rating Company Limited. The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from



the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|--|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 16).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which are measured at fair value.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the changes in accounting policies as explained in notes 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:



a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of debt securities

The investments of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. 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.

Basis of valuation of government securities

The investments of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.



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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 41.392 million net off charge for SWWF with immaterial effect on the 'net assets attributable to the unit holders' and NAV per unit of the Fund as disclosed in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund' respectively. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.11** During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits is recognised on time proportion basis using the effective yield method.
- Income on sukuk certificates, term deposit receipts, Bai Muajjal 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.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

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

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

3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.16 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

| 4. BALANCES WITH BANKS | Note | 2018 (Rupees in '000) | 2017 |
|-------------------------|------|--------------------------|------------------|
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 4,061,947 | 8,117,991 |
| Current account | | 8,924 | 20,071 |
| | | <u>4,070,871</u> | <u>8,138,062</u> |

4.1 Profit and loss sharing accounts of the Fund carries profit rates ranging from 2.00% to 6.60% per annum (2017: 2.00% to 5.70% per annum).

| 5. INVESTMENTS | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------------|
| At fair value through profit or loss | | | |
| Held for Trading | 5.1 | 541,768 | 590,585 |
| Investment - designated at fair value through profit or loss upon initial recognition | 5.2 | 3,422,179 | 2,025,493 |
| | | <u>3,963,947</u> | <u>2,616,078</u> |
| Loans and receivables | | | |
| Term deposit receipts | 5.4 | 1,130,000 | 2,500,000 |
| Musharika certificates | 5.5 | 900,000 | - |
| | | <u>5,993,947</u> | <u>5,116,078</u> |

5.1 Held for trading - Sukuk certificates

| Name of security | Profit payments / principal redemptions | Tenure | Maturity Date | Rate of Return | As at July 1, 2017 (Number of certificates) | Purchased during the year | Disposed / matured during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 ... (Rupees in '000) ... | Market value as at June 30, 2018 | Market value as a percentage of total investments ... % ... |
|---|---|---------------|-------------------|----------------|--|---------------------------|------------------------------------|---------------------|--|----------------------------------|--|
| GOP Ijarah Sukuk Certificates XVI (note 5.1.1) | | | | | 4,500 | | 4,500 | | | | 0.00% |
| GOP Ijarah Sukuk Certificates XVIII (note 5.1.1) | | Semi annually | 3 Years 29 Mar 19 | 5.59% | 1,250 | | | 1,250 | 127,400 | 124,588 | 2.08% |
| GOP Ijarah Sukuk Certificates - XIX (note 5.1.1) | | Semi annually | 3 Years 30-Jun-20 | 5.24% | - | 4,250 | - | 4,250 | 425,180 | 417,180 | 6.96% |
| Total as at June 30, 2018 | | | | | | | | | <u>552,580</u> | <u>541,768</u> | <u>9.04%</u> |
| Total as at June 30, 2017 | | | | | | | | | 587,017 | 590,585 | 11.54% |

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

5.2 Investment at fair value through profit or loss upon initial recognition - Sukuk certificates

| Name of security | Profit payments / principal redemptions | Tenure | Maturity Date | Rate of Return | As at July 1, 2017 | Purchased during the year | Disposed / matured during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of total investments |
|---|---|----------|---------------|----------------------------|--------------------------|---------------------------|------------------------------------|--------------------------|------------------------------------|----------------------------------|---|
| | | | | | (Number of certificates) | | | --- (Rupees in '000) --- | | | --- |
| Arzoo Textile Mills Limited (note 5.2.1, 5.2.2) | | | 15 Apr 14 | 6 months Kibor + 2% | 14,000 | | | 14,000 | | | 0.00% |
| Eden Housing Limited (face value of Rs. 984,375 per certificate) (note 5.2.2) | | | 29 Sep 14 | 6 months Kibor + 2.5% | 59,400 | | | 59,400 | | | 0.00% |
| Security Leasing Corporation Limited II (note 5.2.1, 5.2.2) | | | 19-Jan-22 | Nil | 3,081 | - | - | 3,081 | - | - | 0.00% |
| FERTILIZER | | | | | | | | | | | |
| Engro Fertilizer Limited (note 5.2.1) (AA, non traded) | Semi-annually | 5 years | 9 Jul 19 | 6 months Kibor + 1.75% | 68,000 | | 23,375 | 44,625 | 230,557 | 225,355 | 3.76% |
| Fatima Fertilizer Company (note 5.2.1) (AA-, non traded) | Semi-annually | 5 years | 28-Nov-21 | 6 months Kibor + 1.10% | 33,539 | - | 7,453 | 26,086 | 136,295 | 132,521 | 2.21% |
| OIL & GAS MARKETING COMPANIES | | | | | | | | | | | |
| Hascol Petroleum Limited (note 5.2.1) (AA, non traded) | Quarterly | 6 years | 6-Jan-22 | 3 months Kibor + 1.50% | 57,000 | - | 12,000 | 45,000 | 233,284 | 230,706 | 3.85% |
| POWER GENERATION & DISTRIBUTION | | | | | | | | | | | |
| K Electric Limited (sukuk 4) (note 5.2.1) (AA+, traded) | Quarterly | 7 years | 17 Jun 22 | 3 months Kibor + 1.00% | 230,000 | | 70,000 | 160,000 | 837,176 | 810,939 | 13.53% |
| Neelum Jhelum Hydropower Company (Private) Limited (face value of Rs. 100,000 per certificate) (AAA, traded) | Semi-annually | 10 years | 29-Jun-26 | 6 months Kibor + 1.13% | - | 11,250 | 3,600 | 7,650 | 784,125 | 795,563 | 13.27% |
| MISCELLANEOUS | | | | | | | | | | | |
| International Brands Limited (face value of Rs. 100,000 per certificate) (AA, traded) | Annually | 4 years | 15-Nov-21 | 12 months Kibor + 0.50% | | 4,000 | | 4,000 | 400,000 | 400,000 | 6.67% |
| BANKS | | | | | | | | | | | |
| Meezan Bank Limited Tier - II (face value of Rs. 1,000,000 per certificate) (AA, traded) | Semi-annually | 10 years | 22-Sep 26 | 6 months Kibor + 0.50% | - | 300 | - | 300 | 304,500 | 304,500 | 5.08% |
| Dubai Islamic Bank Pakistan Limited Tier II (face value of Rs. 1,000,000 per certificate) (A+, non-traded) | Semi-annually | 10 years | 14-Jul 27 | 6 months Kibor + 0.50% | | 513 | | 513 | 516,430 | 522,595 | 8.72% |
| Total as at June 30, 2018 | | | | | | | | 3,442,367 | 3,422,179 | 57.09% | |
| Total as at June 30, 2017 | | | | | | | | 1,978,758 | 2,025,493 | 39.59% | |

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





5.2.2 Details of non-compliant investments with the investment criteria of the assigned category

The Securities and Exchange Commission of Pakistan (SECP), vide its circular No. 16 dated July 07, 2010, prescribed certain disclosures for the schemes holding investments that were non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirement of their constitutive documents. The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (the Management Company) classified Meezan Islamic Income Fund (the Fund) as an 'Income Scheme' in accordance with the said circular. As at June 30, 2018, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires the rating of any security in the portfolio shall not be lower than the investment grade. The following are the details of non-compliant investments held by the Fund:

| Name of non-compliant investment | Type of Investment | Note | Value of investment before provision | Provision held (if any) | Value of investment after provision | Percentage of | |
|---|-------------------------------|---------|--------------------------------------|-------------------------|-------------------------------------|---------------|--------------|
| | | | ----- (Rupees in '000) ----- | | | Net assets | Gross assets |
| | | | | | | ----- % ----- | |
| Arzoo Textile Mills Limited | Non-traded sukuk certificates | 5.2.2.1 | 70,000 | 70,000 | - | - | - |
| Eden Housing Limited | Non traded sukuk certificates | 5.2.2.1 | 58,472 | 58,472 | - | - | - |
| Security Leasing Corporation Limited II | Non traded sukuk certificates | 5.2.2.2 | 15,403 | 15,403 | - | - | - |
| Total - June 30, 2018 | | | 143,875 | 143,875 | - | - | - |
| Total June 30, 2017 | | | 143,875 | 143,875 | - | - | - |

5.2.2.1 On January 02, 2010, Arzoo Textile Mills Limited and May 6, 2011, Eden Housing Limited sukuk certificates have been classified as non-performing by MUFAP. Therefore in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 70 million and Rs. 58.472 million respectively has also been held as provision against the outstanding principal as at June 30, 2018.

5.2.2.2 The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore in accordance with the requirement of Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs 15.403 million has also been held as provision against the outstanding principal as at June 30, 2018.

| 5.3 Net unrealised (diminution) / appreciation on re-measurement of investments classified as Financial assets at fair value through profit or loss | Note | 2018 | 2017 |
|---|----------|--------------------|-------------|
| | | (Rupees in '000) | |
| Market value of investments | 5.1, 5.2 | 3,963,947 | 2,616,078 |
| Carrying value of investments | 5.1, 5.2 | (3,994,947) | (2,565,775) |
| | | (31,000) | 50,303 |

5.4 Details of term deposit receipts

| Name of the bank | Maturity Date | Profit rate | As at July 01, 2017 | Term deposit receipts placed during the year | Matured during the year | As at June 30, 2018 | Percentage of market value of total investments |
|-----------------------------|-------------------|-------------|---------------------|--|-------------------------|---------------------|---|
| | | | | | | | |
| BankIslami Pakistan Limited | December 1, 2017 | 5.90% | 800,000 | - | 800,000 | - | 0.00% |
| Dubai Islamic Bank limited | September 6, 2017 | 6.10% | 550,000 | - | 550,000 | - | 0.00% |
| Dubai Islamic Bank limited | March 6, 2018 | 5.85% | - | 440,000 | 440,000 | - | 0.00% |
| Dubai Islamic Bank limited | February 1, 2018 | 5.70% | 450,000 | - | 450,000 | - | 0.00% |
| Dubai Islamic Bank limited | March 27, 2018 | 5.95% | - | 500,000 | 500,000 | - | 0.00% |
| Dubai Islamic Bank limited | April 6, 2018 | 6.25% | - | 630,000 | 630,000 | - | 0.00% |
| Dubai Islamic Bank limited | July 5, 2018 | 6.15% | - | 630,000 | - | 630,000 | 10.51% |
| Bank Al Habib Limited | November 1, 2017 | 5.80% | - | 850,000 | 850,000 | - | 0.00% |
| Bank Al Habib Limited | February 1, 2018 | 5.85% | - | 600,000 | 600,000 | - | 0.00% |
| MCB Islamic Bank Limited | September 6, 2017 | 6.10% | 700,000 | - | 700,000 | - | 0.00% |
| MCB Islamic Bank Limited | May 2, 2018 | 6.00% | - | 1,000,001 | 1,000,001 | - | 0.00% |
| Habib Bank Limited | May 7, 2018 | 5.90% | - | 617,000 | 617,000 | - | 0.00% |
| Habib Bank Limited | January 19, 2018 | 6.20% | - | 480,000 | 480,000 | - | 0.00% |
| Habib Bank Limited | January 29, 2018 | 6.20% | - | 30,000 | 30,000 | - | 0.00% |
| Faysal Bank Limited | August 18, 2018 | 6.13% | - | 500,000 | - | 500,000 | 8.34% |
| As at June 30, 2018 | | | 2,500,000 | 6,277,001 | 7,647,001 | 1,130,000 | 18.85% |
| As at June 30, 2017 | | | | | | 2,500,000 | 48.87% |

5.5 Details of musharika certificates

| Name of the Investee Company | Maturity Date | Profit rate | As at July 01, 2017 | Placed during the year | Matured during the year | As at June 30, 2018 | Percentage of market value of total investments |
|------------------------------|-------------------|-------------|---------------------|------------------------|-------------------------|---------------------|---|
| | | | | | | | |
| First Habib Modaraba | September 5, 2018 | 6.75% | - | 300,000 | - | 300,000 | 5.01% |
| Orix Modaraba | November 22, 2018 | 6.40% | - | 200,000 | - | 200,000 | 3.34% |
| Orix Modaraba | November 22, 2018 | 6.40% | - | 100,000 | - | 100,000 | 1.67% |
| Orix Modaraba | November 22, 2018 | 6.40% | - | 150,000 | - | 150,000 | 2.50% |
| Orix Modaraba | November 22, 2018 | 6.40% | - | 150,000 | - | 150,000 | 2.50% |
| As at June 30, 2018 | | | - | 900,000 | - | 900,000 | 15.02% |
| As at June 30, 2017 | | | | | | | |

6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | Note | 2018 | 2017 |
|--|------|------------------|----------------|
| | | (Rupees in '000) | |
| Security deposit with Central Depository Company of Pakistan Limited | | 100 | 100 |
| Security deposit with National Clearing Company of Pakistan Limited | | 2,503 | 2,503 |
| Prepayments | | 2,963 | 2,963 |
| Advance tax | 6.1 | 2,131 | 8 |
| Profit receivable on balances with banks and term deposit receipts | | 32,380 | 119,385 |
| Profit receivable on sukuk certificates | | 70,668 | 34,122 |
| Profit receivable on musharika certificates | | 5,650 | - |
| | | 116,395 | 159,081 |





- 6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2018, withholding tax on profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt as at June 30, 2018 amounts to Rs 2.131 million

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends and profit on debt has been shown as other receivables as at June 30, 2018 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------------|
| 7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED | | | |
| Management fee payable | 7.1 | 5,757 | 12,319 |
| Sindh Sales Tax payable on remuneration of the Management Company | 7.2 | 749 | 1,601 |
| Allocated expenses | 7.3 | 803 | 821 |
| Sales load payable | | 383 | 200 |
| Sindh Sales Tax on sales load payable | | 50 | 26 |
| Certificate charges | | 1 | 1 |
| | | 7,743 | 14,968 |

- 7.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 1.5% of the average annual net assets in case of an Income scheme. During the year, the Management Company has reduced charging of the remuneration to 10% of gross earnings of the Fund subject to the minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets. The reduction in remuneration is effective from November 16, 2017 (2017: 1.5% of average annual net assets).
- 7.2** During the year, an amount of Rs. 13.393 million (2017: Rs 20.745 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 14.245 million (2017: Rs. 20.683 million) has been paid to the Management Company which acts as a collecting agent.
- 7.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee fee payable | 8.1 | 693 | 706 |
| Sindh Sales Tax payable on trustee fee | 8.2 | 90 | 92 |
| | | 783 | 798 |

8.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1,000 million Rs 0.6 million or 0.17% per annum of net assets, whichever is higher.
- from Rs 1,000 million to Rs.5,000 million Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1,000 million.
- exceeding Rs.5,000 million Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs 5,000 million.

8.2 During the year, an amount of Rs 1.204 million (2017: Rs. 1.176 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 1.206 million (2017: Rs. 1.174 million) was paid to the Trustee which acts as a collecting agent.

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee at the rate of 0.095% of the average annual net assets of the fund payable to SECP under regulation 62 read with Schedule II of NBFC Regulation.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------------|
| 10. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 550 | 375 |
| Printing expenses payable | | 438 | 215 |
| Brokerage payable | | 204 | 188 |
| Shariah advisor fee payable | | 538 | 403 |
| Withholding tax payable | | 1,103 | 32,251 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 10.1 | 22,336 | 12,974 |
| Zakat payable | | 127 | 131 |
| Provision for Federal Excise Duty payable on remuneration of the Management Company and related Sindh Sales Tax | 10.2 | 48,995 | 48,995 |
| Provision for Federal Excise Duty payable on sales load and related Sindh Sales Tax | 10.2 | 2,371 | 2,371 |
| | | 76,662 | 97,903 |

10.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution



(Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.12 per unit (2017: Re 0.06 per unit).

- 10.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 51.366 million (2017: 51.366 million) is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.27 (2017: Re 0.22) per unit.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

12. PROFIT EARNED

| | 2018 | 2017 |
|------------------------|-------------------------|-------------|
| | (Rupees in '000) | |
| Profit on: | | |
| Balances with banks | 253,093 | 216,448 |
| Term deposit receipts | 144,031 | 157,069 |
| Musharika certificates | 30,592 | - |
| Sukuk certificates | 246,193 | 249,387 |
| | 673,909 | 622,904 |

2018 **2017**
(Rupees in '000)

13. AUDITORS' REMUNERATION

| | | |
|------------------------------|------------|-----|
| Annual audit fee | 350 | 298 |
| Half yearly review | 130 | 130 |
| Fee for other certifications | 100 | 100 |
| Out of pocket expenses | 23 | 33 |
| | 603 | 561 |

14. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 1.47% which includes 0.30% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal excise Duties, Annual fee to the SECP etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.

14. PERFORMANCE TABLE

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|------------------|--------------------|-------------------|-------------------|
| Net assets (Rs '000) (ex-distribution) | 10,165,914 | 11,781,426 | 9,051,417 | 3,995,835 | 4,918,355 |
| Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution) | 51.3914 | 51.3912 | 51.2812 | 50.8500 | 50.1700 |
| Offer price per unit as at June 30 (Rs) (ex-distribution) | 51.6818 | 51.6800 | 51.6248 | 51.1907 | 50.5075 |
| Distribution (%) | | | | | |
| - Interim | | | | | |
| - First quarter | - | - | - | - | - |
| - Second quarter | - | - | - | - | 4.00% |
| - Third quarter | - | - | - | - | 3.00% |
| - Fourth quarter (i) | - | 5.00% | 5.00% | - | 2.56% |
| - Fourth quarter (ii) | - | - | - | - | 2.00% |
| - Annual | Refer note 28 | - | - | 6.80% | - |
| Dates of distribution (interim) | | | | | |
| - First quarter | - | - | - | - | - |
| - Second quarter | - | - | - | - | 24-Dec-13 |
| - Third quarter | - | - | - | - | 24-Mar-14 |
| - Fourth quarter (i) | - | 21-Jun-17 | 24-Jun-17 | - | 30-May-14 |
| - Fourth quarter (ii) | - | - | - | - | 24-Jun-14 |
| Dates of distribution (annual) | July 6, 2018 | - | - | 03-Jul-15 | - |
| Income distribution (Rupees in '000) | - | - | - | 267,165 | - |
| Growth distribution (Rupees in '000) | - | - | - | - | - |
| Highest offer price per unit (Rs) | 53.8896 | | | | |
| Lowest offer price per unit (Rs) | 51.6945 | | | | |
| Highest redemption price per unit (Rs) | 53.5868 | | | | |
| Lowest redemption price per unit (Rs) | 51.4041 | | | | |
| Total return (%) | 4% | | | | |
| Weighted Average Portfolio Duration (years) | 2.08% | | | | |
| | One year | Two years | Three years | Four years | Five years |
| Average annual return (%) as at June 30, 2018 | 4.26% | 4.67% | 5.03% | 5.81% | 7.00% |

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

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





16. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management intends to distribute the required minimum percentage of income earned by the Fund for the year ended June 30, 2018 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 17.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 17.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 17.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 17.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

| | 2018 | 2017 |
|--|------------------|-----------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Limited | | |
| (Management Company) | | |
| Transactions during the year | | |
| Remuneration charged | 103,021 | 159,579 |
| Sindh Sales Tax on remuneration of the Management Company | 13,393 | 20,745 |
| Allocated expenses | 10,944 | 10,639 |
| Issue of 33,002,274 (2017: 65,179,148) units | 1,725,000 | 3,399,818 |
| Redemption of 35,115,734 (2017: 62,005,768) units | 1,827,000 | 3,284,222 |
| Balances | | |
| Remuneration payable | 5,757 | 12,319 |
| Sindh Sales Tax on management fee payable | 749 | 1,601 |
| Sales load payable | 383 | 200 |
| Sindh Sales Tax on sales load payable | 50 | 26 |
| Allocated expenses payable | 803 | 821 |
| Certificate charges payable | 1 | 1 |
| Outstanding 18,479,681 (2017: 20,593,141) units - at net asset value | 990,267 | 1,058,282 |

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

Transactions during the year

| | | |
|--|-------|-------|
| Remuneration of the Trustee | 9,261 | 9,047 |
| Sindh Sales Tax on remuneration of the Trustee | 1,204 | 1,176 |
| Settlement charges incurred | 57 | 6 |
| Sindh Sales Tax on settlement charges | 7 | 1 |

Balances

| | | |
|--|-----|-----|
| Security deposit | 100 | 100 |
| Remuneration Payable | 693 | 706 |
| Sindh Sales Tax on trustee fee payable | 90 | 92 |

Meezan Bank Limited

Transactions during the year

| | | |
|---|---------|-------|
| Profit on saving account | 2,041 | 2,423 |
| Profit on sukuk certificates | 1,485 | - |
| Sukuk certificates purchased during the year 300 sukuk certificates (2017: nil) | 304,500 | - |
| Issue of 10,155,202 (2017: nil) units | 530,000 | - |
| Redemption of 10,155,202(2017: nil) units | 532,065 | - |

Balances

| | | |
|---|---------|--------|
| Profit receivable on saving account | 371 | 1,201 |
| Profit receivable on sukuk certificates | 7,026 | - |
| Balance with bank | 141,814 | 88,058 |
| Investment as at June 30, 2018: 300 sukuk certificates (June 30, 2017: nil) | 304,500 | - |
| Sales load payable | 1,512 | 596 |
| Sindh Sales Tax on sales load payable | 196 | 77 |

MSAF - Meezan Strategic Allocation Plan-I

| | | |
|--|---------|-----------|
| Issue of 10,175,158 (2017: 48,935,434) units | 531,000 | 2,557,864 |
| Redemption of 12,357,647 (2017: 39,016,637) units | 639,860 | 2,050,316 |
| Outstanding 7,736,308 (2017: 9,918,797) units - at net asset value | 414,564 | 509,727 |
| Cash dividend | - | 14,295 |

MSAF - Meezan Strategic Allocation Plan-II

| | | |
|--|---------|-----------|
| Issue of 5,035,700 (2017: 24,199,084) units | 263,000 | 1,279,074 |
| Redemption of 4,263,241 (2017: 20,395,525) units | 221,740 | 1,080,095 |
| Outstanding 4,578,838 (2017: 3,806,559) units - at net asset value | 245,365 | 195,619 |
| Cash dividend | - | 9,074 |

MSAF - Meezan Strategic Allocation Plan-III

| | | |
|--|---------|---------|
| Issue of 4,780,885 (2017: 16,923,712) units | 250,000 | 896,018 |
| Redemption of 8,023,229 (2017: 9,818,485) units | 415,160 | 524,081 |
| Outstanding 3,862,902 (2017: 7,105,227) units - at net asset value | 207,001 | 365,138 |
| Cash dividend | - | 8,495 |

MSAF - Meezan Strategic Allocation Plan-IV

| | | |
|--|---------|---------|
| Issue of 7,269,504 (2017: 10,195,627) units | 378,500 | 541,579 |
| Redemption of 11,663,825 (2017: 1,206,640) units | 603,770 | 63,002 |
| Outstanding 4,594,666 (2017: 8,988,987) units - at net asset value | 246,213 | 461,944 |
| Cash dividend | - | 17,579 |

2018 2017
(Rupees in '000)





| | 2018 | 2017 |
|--|------------------|-----------|
| | (Rupees in '000) | |
| MSAF - Meezan Strategic Allocation Plan-V | | |
| Issue of 1,667,261 (2017: nil) units | 87,000 | - |
| Redemption of 1,303,699 (2017: nil) units | 68,020 | - |
| Outstanding 363,562 (2017: nil) units - at net asset value | <u>19,482</u> | <u>-</u> |
| Meezan Financial Planning Fund of Funds | | |
| - Aggressive Allocation Plan | | |
| Issue of 208,445 (2017: 2,195,497) units | 10,936 | 117,237 |
| Redemption of 881,116 (2017: 361,689) units | 45,851 | 18,826 |
| Outstanding 1,161,137 (2017: 1,833,808) units - at net asset value | 62,222 | 94,239 |
| Cash dividend | - | 4,976 |
| Meezan Financial Planning Fund of Funds | | |
| - Moderate Allocation Plan | | |
| Issue of 334,253 (2017: 2,299,084) units | 17,541 | 122,733 |
| Redemption of 879,257 (2017: 308,938) units | 45,914 | 16,071 |
| Outstanding 1,445,143 (2017: 1,990,147) units - at net asset value | 77,441 | 102,274 |
| Cash dividend | - | 5,213 |
| Meezan Financial Planning Fund of Funds | | |
| - Conservative Allocation Plan | | |
| Issue of 360,446 (2017: 3,299,620) units | 18,881 | 176,034 |
| Redemption of 1,358,365 (2017: 321,796) units | 70,816 | 16,870 |
| Outstanding 1,979,904 (2017: 2,977,823) units - at net asset value | 106,097 | 153,030 |
| Cash dividend | - | 7,283 |
| Meezan Financial Planning Fund of Funds - MAAP - I | | |
| Issue of 35,256,918 (2017: 6,726,576) units | 1,819,662 | 357,567 |
| Redemption of 31,788,986 (2017: 6,726,576) units | 1,645,916 | 352,937 |
| Outstanding 3,467,932 (2017: nil) units - at net asset value | 185,835 | - |
| Cash dividend | - | 5,943 |
| Meezan Financial Planning Fund of Funds - MAAP - II | | |
| Issue of 4,596,367 (2017: 3,583,861) units | 237,200 | 190,861 |
| Redemption of 4,596,367 (2017: 5,253,864) units | 238,776 | 275,419 |
| Cash dividend | - | 4,044 |
| Meezan Financial Planning Fund of Funds - MAAP - III | | |
| Issue of 46,358,992 (2017: 20,823,790) units | 2,414,633 | 1,079,303 |
| Redemption of 53,804,184 (2017: 21,231,840) units | 2,820,365 | 1,120,962 |
| Outstanding 1,494,217 (2017: 7,445,192) units - at net asset value | - | 382,609 |
| Cash dividend | - | 8,115 |
| Meezan Financial Planning Fund of Funds - MAAP - IV | | |
| Issue of 4,922,358 (2017: 11,142,025) units | 255,000 | 575,247 |
| Redemption of 3,880,834 (2017: 12,818,462) units | 201,000 | 669,488 |
| Outstanding 1,494,217 (2017: 452,694) units - at net asset value | 80,070 | 23,266 |
| Cash dividend | - | 1,079 |
| Meezan Capital Preservation Fund - II | | |
| Issue of nil (2017: 25,503,768) units | - | 1,329,868 |
| Redemption of nil (2017: 25,503,768) units | - | 1,339,775 |

Al Meezan Investment Management Limited
- Employees' Gratuity Fund

Issue of nil (2017: 9,874) units
 Outstanding 212,599 (2017: 212,599) units - at net asset value
 Cash dividend

2018 **2017**
(Rupees in '000)

| | |
|----------------|----------------|
| - | 507 |
| 11,393 | 10,925 |
| - | 507 |
| 251,166 | 54,958 |
| 243,541 | 125,230 |
| 15,684 | 12,068 |
| - | 401 |

Directors and Executives of the Management Company

Issue of 4,794,864 (2017: 1,046,162) units
 Redemption of 4,642,395 (2017: 2,268,190) units
 Outstanding 292,675 (2017: 234,831) units - at net asset value
 Cash dividend

- 17.6** Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

Note **2018** **2017**
(Rupees in '000)

18. CASH AND CASH EQUIVALENTS

| | | | |
|---|---|------------------|-----------|
| Cash and bank balances | 4 | 4,070,871 | 8,138,062 |
| Term Deposit Receipt (with original maturity of three months) | 5 | 1,130,000 | - |
| | | 5,200,871 | 8,138,062 |

19. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | |
|--|-----------------------|--------------------------------------|--------------------|-------------------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| Financial assets | | | | |
| Rupees in '000 | | | | |
| Balances with banks | 4,070,871 | - | - | 4,070,871 |
| Investments | 2,030,000 | 3,963,947 | - | 5,993,947 |
| Receivable against conversion of units | 129,263 | - | - | 129,263 |
| Deposits and other receivables | 111,301 | - | - | 111,301 |
| | 6,341,435 | 3,963,947 | - | 10,305,382 |

| | 2018 | | |
|---|--------------------------------------|-------------------|---------------|
| | At fair value through profit or loss | At amortised cost | Total |
| Financial liabilities | | | |
| Rupees in '000 | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | 7,743 | 7,743 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | 783 | 783 |
| Payable to Meezan Bank Limited | - | 1,708 | 1,708 |
| Payable against conversion and redemption of units | - | 49,459 | 49,459 |
| Accrued expenses and other liabilities | - | 1,730 | 1,730 |
| | - | 61,423 | 61,423 |



2017

| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
|--|-----------------------|--------------------------------------|--------------------|------------|
| Rupees in '000 | | | | |
| Financial assets | | | | |
| Balances with banks | 8,138,062 | - | - | 8,138,062 |
| Investments | 2,500,000 | 2,616,078 | - | 5,116,078 |
| Receivable against conversion of units | 1,202,964 | - | - | 1,202,964 |
| Deposits and other receivables | 156,110 | - | - | 156,110 |
| | 11,997,136 | 2,616,078 | - | 14,613,214 |

| | At fair value through profit or loss | At amortised cost | Total |
|---|--------------------------------------|-------------------|-----------|
| 2017 | | | |
| Rupees in '000 | | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | 14,968 | 14,968 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | 798 | 798 |
| Payable to Meezan Bank Limited | - | 673 | 673 |
| Payable against conversion and redemption of units | - | 2,712,438 | 2,712,438 |
| Accrued expenses and other liabilities | - | 1,181 | 1,181 |
| | - | 2,730,058 | 2,730,058 |

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

20.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks, investments in Ijarah and sukuk certificates, term deposit receipts and musharika certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based sukuk certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 74.185 million (2017: Rs. 100.607 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds GoP ijarah sukuk which are classified as financial assets at fair value through profit or loss' exposing the Fund to fair value profit rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan for GoP ijarah sukuk and with all other variables held constant, the net income for the year and net assets of the Fund would have been higher by Rs 5.500 million (2017: Rs 5.750 million). In case of 100 basis points decrease in those rates, the net income for the year and net assets of the Fund would have been lower by Rs 5.500 million (2017: Rs 5.750 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Profit 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 instruments is based on the settlement date.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | Effective yield / interest rate (%) | 2018 | | | Total |
|---|-------------------------------------|---------------------------------------|--|--------------------|---------|
| | | Exposed to yield / interest rate risk | | | |
| | | Upto three months | More than three months and upto one year | More than one year | |
| (Rupees in '000) | | | | | |
| Financial assets | | | | | |
| Balances with banks | 2.00% - 6.60% | 4,061,947 | - | - | 8,924 |
| Investments Sukuk certificates | Kibor + 0.50% | | | | |
| | Kibor + 1.75% | 1,863,389 | 1,558,790 | - | - |
| Investments Government securities sukuk certificates | 5.24% - 5.59% | 124,588 | 417,180 | - | - |
| Investments loans and receivables | 6.13% - 6.75% | 1,430,000 | 600,000 | - | - |
| Receivable against conversion of units | | - | - | - | 129,263 |
| Deposits and other receivables | | - | - | - | 111,301 |
| | | 7,479,924 | 2,575,970 | - | 249,488 |
| Financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | - | - | 7,743 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | | - | - | - | 1,708 |
| Payable to Meezan Bank Limited | | - | - | - | 783 |
| Payable against conversion and redemption of units | | - | - | - | 49,459 |
| Accrued expenses and other liabilities | | - | - | - | 1,730 |
| | | - | - | - | 61,423 |
| On-balance sheet gap (a) | | 7,479,924 | 2,575,970 | - | 188,065 |
| Off-balance sheet financial instruments | | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - |
| Total interest rate sensitivity gap (a+b) | | 7,479,924 | 2,575,970 | - | |
| Cumulative interest rate sensitivity gap | | 7,479,924 | 10,055,894 | 10,055,894 | |





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) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.00% - 5.70% | 8,117,991 | | | 20,071 | 8,138,062 |
| Investments - Sukuk certificates | Kibor +1% - Kibor + 2.25% | 1,850,262 | 175,231 | | | 2,025,493 |
| Investments - Government securities sukuk certificates | 5.59% - 6.10% | 590,585 | - | - | - | 590,585 |
| Investments - loans and receivables | 5.70% - 6.10% | 1,250,000 | 1,250,000 | | | 2,500,000 |
| Receivable against conversion of units | | | | | 1,202,964 | 1,202,964 |
| Deposits and other receivables | | | | | 156,110 | 156,110 |
| | | 11,808,838 | 1,425,231 | - | 1,379,145 | 14,613,214 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | | | | 14,968 | 14,968 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | | | | | 673 | 673 |
| Payable to Meezan Bank Limited | | | | | 798 | 798 |
| Payable against conversion and redemption of units | | | | | 2,712,438 | 2,712,438 |
| Accrued expenses and other liabilities | | | | | 1,181 | 1,181 |
| | | | | | 2,730,058 | 2,730,058 |
| On-balance sheet gap (a) | | 11,808,838 | 1,425,231 | - | (1,350,913) | 11,883,156 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | | | | | |
| Total interest rate sensitivity gap (a+b) | | 11,808,838 | 1,425,231 | - | | |
| Cumulative interest rate sensitivity gap | | 11,808,838 | 13,234,069 | 13,234,069 | | |

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of 30 June 2018.

20.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | | |
|---|------------------|---|--|--|-------------------|--|-------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 4,070,871 | - | - | - | - | - | 4,070,871 |
| Investments | 630,000 | 800,000 | 724,588 | 2,216,701 | 1,622,658 | - | 5,993,947 |
| Receivable against conversion of units | 129,263 | - | - | - | - | - | 129,263 |
| Deposits and other receivables | 52,806 | 20,631 | 35,261 | - | - | 2,603 | 111,301 |
| | 4,882,940 | 820,631 | 759,849 | 2,216,701 | 1,622,658 | 2,603 | 10,305,382 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 7,743 | - | - | - | - | - | 7,743 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 783 | - | - | - | - | - | 783 |
| Payable to Meezan Bank Limited | 1,708 | - | - | - | - | - | 1,708 |
| Payable against conversion and redemption of units | 49,459 | - | - | - | - | - | 49,459 |
| Accrued expenses and other liabilities | 204 | 1,088 | 438 | - | - | - | 1,730 |
| | 59,897 | 1,088 | 438 | - | - | - | 61,423 |
| Net assets / (liabilities) | 4,823,043 | 819,543 | 759,411 | 2,216,701 | 1,622,658 | 2,603 | 10,243,959 |
| 2017 | | | | | | | |
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 8,138,062 | - | - | - | - | - | 8,138,062 |
| Investments | - | 1,250,000 | 1,250,000 | 2,616,078 | - | - | 5,116,078 |
| Receivable against conversion of units | 1,202,964 | - | - | - | - | - | 1,202,964 |
| Deposits and other receivables | 43,273 | 55,428 | 54,806 | - | - | 2,603 | 156,110 |
| | 9,384,299 | 1,305,428 | 1,304,806 | 2,616,078 | - | 2,603 | 14,613,214 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 14,968 | - | - | - | - | - | 14,968 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 798 | - | - | - | - | - | 798 |
| Payable to Meezan Bank Limited | 673 | - | - | - | - | - | 673 |
| Payable against conversion and redemption of units | 2,712,438 | - | - | - | - | - | 2,712,438 |
| Accrued expenses and other liabilities | 188 | 778 | 215 | - | - | - | 1,181 |
| | 2,729,065 | 778 | 215 | - | - | - | 2,730,058 |
| Net assets / (liabilities) | 6,655,234 | 1,304,650 | 1,304,591 | 2,616,078 | - | 2,603 | 11,883,156 |



20.3 Credit risk

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

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

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

The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| | (Rupees in '000) | | | |
| Balance with banks and term deposits | 5,200,871 | 5,200,871 | 8,138,062 | 8,138,062 |
| Investments in debt instruments | 4,863,947 | 4,322,179 | 5,116,078 | 4,525,493 |
| Receivable against conversion of units | 129,263 | 129,263 | 1,202,964 | 1,202,964 |
| Deposits and other receivables | 116,395 | 111,301 | 159,081 | 156,110 |
| | 10,310,476 | 9,763,614 | 14,616,185 | 14,022,629 |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

20.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon and receivable against conversion of units and against investments, term deposit receipts, musharika certificates and investments in sukuk certificates. The credit rating profile of financial assets exposed to credit risk are as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|--|-------------|
| | 2018 | 2017 |
| AAA | 10% | 23% |
| AA+ | 21% | 10% |
| AA- | 27% | 7% |
| AA | 18% | 23% |
| A+ | 23% | 37% |
| A | 0% | 0% |
| | 100% | 100% |

Ratings of sukuku (other than GoP Ijarah Sukuku certificates) have been disclosed in related notes to the financial statements. GoP Ijarah Sukuku are government guaranteed.

20.3.3 Concentration of credit risk

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

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

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

21. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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





As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|----------------|------------------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | - | 3,963,947 | - |
| | - | 3,963,947 | - |
| | 2017 | | |
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | - | 2,616,078 | - |
| | - | 2,616,078 | - |

22. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

23. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|----------------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 5,205 | 4,495,934 | 44.23% | 4,476 | 5,504,771 | 46.72% |
| Associated Companies / Directors | 13 | 2,650,159 | 26.07% | 13 | 3,367,008 | 28.58% |
| Insurance Companies | 10 | 230,204 | 2.26% | 17 | 220,864 | 1.88% |
| Banks and DFIs | 1 | 10 | 0.00% | 1 | 10 | 0.00% |
| Retirement Funds | 67 | 1,136,425 | 11.18% | 67 | 1,037,268 | 8.80% |
| Private Limited Companies | 30 | 735,961 | 7.24% | 26 | 542,469 | 4.60% |
| Public Limited Companies | 3 | 1,667 | 0.02% | 8 | 81,412 | 0.70% |
| Others | 43 | 915,554 | 9.01% | 38 | 1,027,624 | 8.72% |
| | 5,372 | 10,165,914 | 100% | 4,646 | 11,781,426 | 100% |

24. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| Paramount Capital (Pvt.) Limited | 51% | Paramount Capital (Pvt.) Limited | 76% |
| Invest One Markets Limited | 40% | Invest One Markets Limited | 0% |
| BMA Capital Management Limited | 7% | BMA Capital Management Limited | 0% |
| JS Global Capital Limited | 2% | JS Global Capital Limited | 14% |
| Next Capital Limited | 1% | Next Capital Limited | 0% |
| Invest Capital Management Limited | 0% | Invest Capital Management Limited | 10% |

24.1 The fund has traded with only the above mentioned 5 brokers / dealers during the year ended June 30, 2018 (2017: 3 brokers / dealers)

25. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

25.1 The Fund manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund; and
- Meezan Sovereign Fund

26. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | | | | No | Yes |
| Syed Amir Ali ** | Director | Yes | Yes | Yes | Resigned | |
| Ms. Saima Kamila Khan ** | Director | | | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | | | |
| Mazhar Sharif *** | Director | Yes | Yes | | | |
| Mr. Naeem Sattar *** | Director | | | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.





27. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

28. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The Board of Directors of the Management Company in the meeting held on July 6, 2018, approved a final cash dividend of Rs 2.1954 per unit on the face value of Rs 50 each (i.e. 4.39%) amounting to Rs 245.803 million. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

30. GENERAL

Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**



Meezan
Sovereign Fund

MEEZAN SOVEREIGN FUND (MSF)

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





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoab, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | 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

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Allied Bank Limited - Islamic Banking
Albaraka Bank (Pakistan) Limited
Askari Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited - Islamic Banking
Habib Bank Limited - Islamic Banking

Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
Sindh Bank Limited - Islamic Banking
UBL Ameen

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Open end Sovereign mutual fund which falls under the category of Income Funds.

Objective

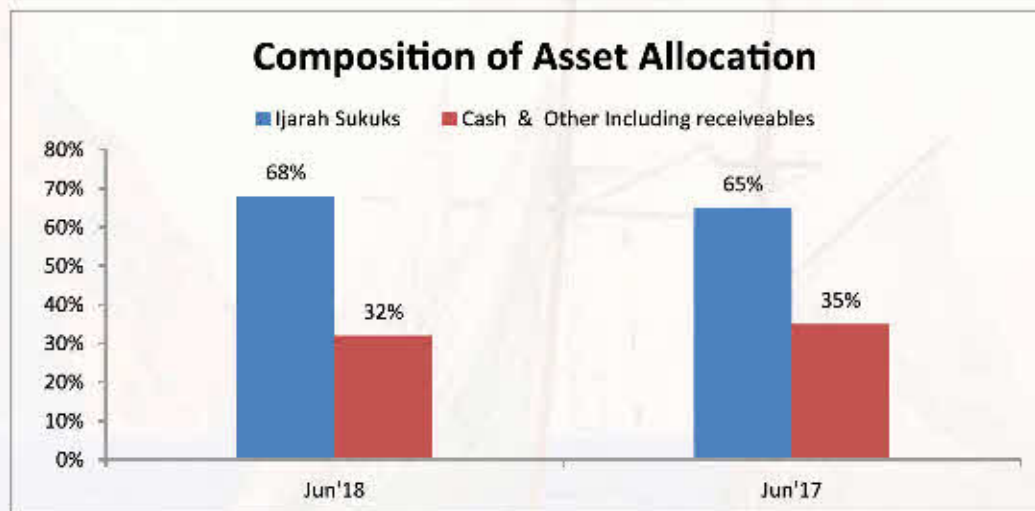
The Fund's primary objective is to provide investors with a low risk and stable rate of current income by primarily investing in Shariah Compliant Sovereign Securities.

Investment Policy and Strategy

The investment policy of the fund demarcates that at least 70% of the net assets of the fund shall be invested in Shariah compliant fixed income government securities on a monthly average basis while at least 10% of the fund size has to be maintained in cash on a monthly average basis. The remaining allocation can be in other permissible Islamic investment avenues. The instruments in which MSF invests are Sovereign Sukuks (Islamic Bonds), Musharaka and Murabaha instruments, Certificate of Islamic Investments, Islamic bank deposits and other Sovereign Islamic income products.

Sector Allocation for the year ended FY17 and FY18

The asset allocation of the fund on June 30, 2017 and June 30, 2018 is as follows:



Performance Review

Meezan Sovereign Fund (MSF) provided a return of 2.59% to its investors for the year ended June 30, 2018 against a benchmark return of 4.96%.

During the year, the Fund earned a gross income of Rs. 102 million, which was primarily due to profit on Sukuks certificates worth Rs. 125 million. Profit on saving accounts at Islamic banks contributed Rs. 40 million. On the other side, the fund accrued realized and unrealized loss worth Rs. 33 million and Rs. 32 million respectively. The fund also incurred expenses totalling to Rs. 43 million, which brought the net income figure to Rs. 59 million. The net assets of the Fund as at June 30, 2018 were Rs. 2,121 million as compared to Rs. 4,334 million at the end of last year depicting a decrease of 51.06%. The net asset value per unit as at June 30, 2018 was Rs. 52.72 as compared to Rs. 51.40 per unit as on June 30, 2017.

Distributions

The final Payout by the Fund during the fiscal year ended June 30, 2018 was Rs. 1.24 per unit (2.48%). Total distribution made by the fund was Rs. 37 million.

Fund Stability Rating

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

Breakdown of unit holdings by size:

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|----------------------|-------------------------|
| 1 - 9,999 | 3,259 |
| 10,000 - 49,999 | 580 |
| 50,000 - 99,999 | 80 |
| 100,000 - 499,999 | 52 |
| 500,000 and above | 6 |
| Total | 3,977 |





Meezan Bank
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

Alhamdulillah, the period from July 01, 2017 to June 30, 2018 was the ninth year of operations of Meezan Sovereign Fund (MSF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.


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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MSF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSF for the year ended June 30, 2018 have been in compliance with *Shari'ah* principles.

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



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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN SOVEREIGN FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Sovereign Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Sovereign Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Sovereign Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|---|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impacts of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly includes changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We performed walkthrough tests for ensuring compliance with the revised requirements and in this respect obtained reports of distribution of income and refund of capital by the Fund.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to assess their compliance with the revised regulations.</p> |

All in

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|--|
| | <p>issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The SECP notification also stipulates that the accounting income available for distribution as appearing in the "Income Statement" excludes income already paid on units redeemed during the year. Accordingly, the net amount appearing on the "Income Statement" after deducting the income already paid on units redeemed is to be considered as the distributable amount.</p> <p>In order to avail tax exemption, the Fund has to distribute 90 percent of its accounting income (excluding realised and unrealised capital gains). However, at the time of distribution of income, the element of income contributed on issue of units recognized in the equity during the year is required to be refunded on the units in the same proportion in which income is distributed from the Income Statement i.e after taking into account the amount of income already paid on units redeemed. Management has developed a system for carrying out the calculations for such distributions.</p> <p>These calculations are important from the point of view of ensuring compliance with the applicable requirements. The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | <p>We recalculated the profit available for distribution taking into account amount already distributed at the time of redemption.</p> <p>We verified the accuracy of the management report for allocation of distributable amount between "distribution out of income" and "refund of capital". This included testing the parameters of the report.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 1.49 billion and balances with banks aggregated to Rs 0.67 billion.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of the key controls for valuation of investments; • Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; • Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; • Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and • Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

All in



Meezan
Sovereign Fund

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

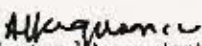
Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


Chartered Accountants

Karachi

Date: September 19, 2018





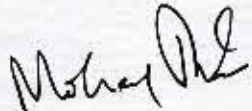
STATEMENT OF ASSETS AND LIABILITIES

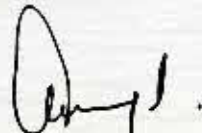
AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-------------------|
| Assets | | | |
| Balances with banks | 4 | 673,082 | 1,243,261 |
| Investments | 5 | 1,489,533 | 3,689,101 |
| Receivable against conversion of units | | 31,469 | 718,732 |
| Deposits, prepayments, profit accrued and other receivables | 6 | 34,159 | 61,991 |
| Total assets | | 2,228,243 | 5,713,085 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 7 | 2,203 | 4,420 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 8 | 220 | 371 |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 2,117 | 6,085 |
| Payable against redemption and conversion of units | | 11,847 | 1,189,116 |
| Payable to Meezan Bank Limited | | 322 | 229 |
| Dividend payable | | - | 67,471 |
| Accrued expenses and other liabilities | 11 | 91,018 | 111,725 |
| Total liabilities | | 107,727 | 1,379,417 |
| NET ASSETS | | 2,120,516 | 4,333,668 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 2,120,516 | 4,333,668 |
| CONTINGENCIES AND COMMITMENTS | 12 | | |
| NUMBER OF UNITS IN ISSUE | | 40,219,172 | 84,320,718 |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | | 52.7240 | 51.4000 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

For AI Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

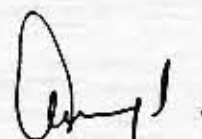
| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|-----------|
| Income | | | |
| Profit earned | 13 | 167,458 | 470,404 |
| (Loss) / Gain on sale of investments - net | | (33,132) | 10,776 |
| Reversal of provision for Workers' Welfare Fund (WWF) | | - | 133,886 |
| Other income | | - | 669 |
| | | 134,326 | 615,735 |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.2 | (32,036) | 43,652 |
| Total income | | 102,290 | 659,387 |
| Expenses | | | |
| Remuneration of Al Meezan Investment Management Limited - Management Company | 7.1 | 28,222 | 81,154 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 | 3,669 | 10,548 |
| Allocated expenses | 7.3 | 2,822 | 8,114 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 8.1 | 2,867 | 6,830 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 373 | 888 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 9.1 | 2,117 | 6,085 |
| Brokerage expense | | 255 | 546 |
| Auditors' remuneration | 14 | 490 | 447 |
| Fees and subscription | | 617 | 946 |
| Legal and professional charges | | 49 | 438 |
| Bank and settlement charges | | 200 | 156 |
| Provision for Sindh Workers' Welfare Fund | 11.1 | 1,212 | 12,690 |
| Total expenses | | 42,893 | 128,842 |
| Net income from operating activities | | 59,397 | 530,545 |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - net | 3.10 | - | (276,272) |
| Net income for the year before taxation | | 59,397 | 254,273 |
| Taxation | 17 | - | - |
| Net income for the year after taxation | | 59,397 | 254,273 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | 59,397 | - |
| Income already paid on units redeemed | | (22,371) | - |
| | | 37,026 | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | 37,026 | - |
| | | 37,026 | - |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



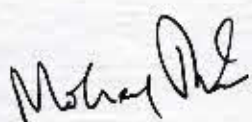
STATEMENT OF COMPREHENSIVE INCOME

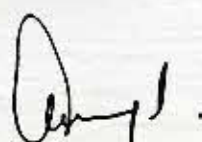
FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|---------|
| Net income for the year after taxation | 59,397 | 254,273 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | 59,397 | 254,273 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2018

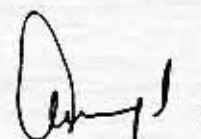
| | 2018 | | |
|--|------------------|-------------------------------|----------------|
| | Capital Value | Undistributed income / (loss) | Total |
| | (Rupees in '000) | | |
| Net assets at beginning of the year | 4,042,582 | 291,086 | 4,333,668 |
| Issue of 71,636,834 units | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 3,682,132 | - | 3,682,132 |
| Element of income | 41,742 | - | 41,742 |
| Total proceeds on issuance of units | 3,723,874 | - | 3,723,874 |
| Redemption of 115,738,380 units | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 5,948,953 | - | 5,948,953 |
| Element of income | 25,099 | 22,371 | 47,470 |
| Total payments on redemption of units | 5,974,052 | 22,371 | 5,996,423 |
| Total comprehensive income for the year | - | 59,397 | 59,397 |
| Distribution during the year | - | - | - |
| Net income for the year less distribution | - | 59,397 | 59,397 |
| Net assets at end of the year | 1,792,404 | 328,112 | 2,120,516 |
| Undistributed income carried forward | | | |
| Realised income | | 360,148 | |
| Unrealised loss | | (32,036) | |
| | | 328,112 | |
| Accounting income available for distribution * | | | |
| - Relating to capital gains | | - | |
| - Excluding capital gains | | 37,026 | |
| | | 37,026 | |
| | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 51.4000 |
| Net assets value per unit at end of the year | | | 52.7240 |
| | | | June 30, 2017 |
| | | | Rupees in '000 |
| Capital Value | | | 7,703,549 |
| Undistributed income brought forward | | | |
| - Realised | | | 193,509 |
| Unrealised | | | 47,688 |
| Net assets at beginning of the year | | | 7,944,746 |
| Issuance of 396,890,720 units | | | 20,786,983 |
| Redemption of 468,956,990 units | | | (24,724,222) |
| | | | (3,937,239) |
| Element of loss and losses included in prices | | | |
| of units issued less those in units redeemed - net | | | 276,272 |
| Net realised gain on sale of sukuk certificates | | | 10,776 |
| Unrealised appreciation in the value of investments (net) | | | 43,652 |
| Other net income for the year | | | 199,845 |
| Total comprehensive income for the year | | | 254,273 |
| Interim distribution for the year ended June 30, 2017 | | | |
| - cash dividend @ 5.5% i.e. Rs. 2.75 per unit | | | (204,384) |
| Net income for the year less distribution | | | 49,889 |
| Net assets at end of the year | | | 4,333,668 |
| Represented by: | | | |
| Capital Value | | | 4,042,582 |
| Undistributed income carried forward | | | |
| - Realised | | | 247,434 |
| - Unrealised | | | 43,652 |
| | | | 4,333,668 |
| | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 50.8000 |
| Net assets value per unit at end of the year | | | 51.4000 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year before taxation | | 59,397 | 254,273 |
| Adjustments for: | | | |
| Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net | | - | 276,272 |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | | 32,036 | (43,652) |
| Provision for Sindh Workers' Welfare Fund | 11.1 | 1,212 | - |
| | | 92,645 | 486,893 |
| Decrease in assets | | | |
| Investments - net | | 2,167,532 | 2,466,936 |
| Deposits, prepayments, profit accrued and other receivables | | 27,832 | 23,891 |
| | | 2,195,364 | 2,490,827 |
| Decrease in liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | (2,217) | (6,280) |
| Payable to the Central Depository Company of Pakistan - Trustee | | (151) | (366) |
| Payable to the Securities and Exchange Commission of Pakistan | | (3,968) | (712) |
| Payable to Meezan Bank Limited | | 93 | (3) |
| Unclaimed Dividend | | (67,471) | 67,471 |
| Accrued expenses and other liabilities | | (21,919) | (119,853) |
| | | (95,633) | (59,743) |
| Net cash generated from operating activities | | 2,192,376 | 2,917,977 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net receipts from issuance of units | | 4,411,137 | 20,709,582 |
| Net payments against redemption of units | | (7,173,692) | (25,889,518) |
| Dividend paid | | - | (204,384) |
| Net cash used in financing activities | | (2,762,555) | (5,384,320) |
| Net decrease in cash and cash equivalents | | (570,179) | (2,466,343) |
| Cash and cash equivalents at the beginning of the year | | 1,243,261 | 3,709,604 |
| Cash and cash equivalents at the end of the year | | 673,082 | 1,243,261 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Meezan Sovereign Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.

The Fund has been formed to provide the unitholders maximum possible preservation of capital along with Halal and reasonable returns by investing primarily in a portfolio of Shariah compliant government securities thus, minimising the credit risk of investments. The Fund shall also keep an exposure in short-term near cash instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah. The investment objectives and policies are explained in the Fund's offering document.

1.2 The Fund is an open-end Shariah Compliant (Islamic) Income Scheme, listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

1.3 The Fund has been given a stability rating of AA-(f) by JCR-VIS Credit Rating Company Limited. The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.

1.4 The title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.





Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain other amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments | 01 July 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | 01 July 2018 |
| - IFRS 16 - Leases | 01 January 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 17).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments classified as 'at fair value through profit or loss' measured at their fair values.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Funds operates. These financial statements are presented in Pakistan Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in note 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'





Basis of valuation of debt securities

The investments of the Fund in debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. 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.

Basis of valuation of government securities

The investments of the Fund in government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount. The amount of provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption application during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.



Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 5.613 million net off charge for SWWF with immaterial effect on the 'net assets attributable to the unit holders' and NAV per unit of the Fund as disclosed in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund' respectively. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.11** During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income on term deposit receipts and Government securities is recognised on a time proportionate basis using the effective yield method.
- Profit on bank deposit is recognised on time proportion basis using the effective yield method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

Deferred

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

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

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

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

3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable."

3.16 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

| 4. | BALANCES WITH BANKS | Note | 2018 (Rupees in '000) | 2017 |
|----|-------------------------|------|--------------------------|------------------|
| | Balances with banks in: | | | |
| | Savings accounts | 4.1 | 667,641 | 1,227,312 |
| | Current accounts | | 5,441 | 15,949 |
| | | | 673,082 | 1,243,261 |

4.1 The balances in saving accounts have expected profit rates ranging from 2.00% to 6.60% per annum (2017: 2.0% to 6.10% per annum).



5. INVESTMENTS **Note** **2018** **2017**
(Rupees in '000)

At fair value through profit or loss - held for trading

Government securities - Sukuk certificates

5.1

1,489,533

3,689,101

5.1 Government securities - Sukuk certificates

| Name of security | Profit payments / principal redemptions | Tenure | Maturity Date | Rate of Return | As at July 1, 2017 | Purchased during the year | Disposed / matured during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised gain as at June 30, 2018 | Market value as a percentage of total investments |
|---------------------------------------|---|---------|---------------|-----------------------------------|--------------------------------------|---------------------------|------------------------------------|---------------------|------------------------------------|----------------------------------|-------------------------------------|---|
| | | | | | ----- (Number of certificates) ----- | | | (Rupees in '000) | | | % | |
| GoP Ijarah Sukuk Certificates - XVI | Semi annually | 3 Years | 18 Dec 18 | Weighted average 6 months T Bills | 16,330 | | 12,200 | 4,130 | 411,529 | 405,033 | (6,496) | 27.19% |
| GoP Ijarah Sukuk Certificates - XVII | Semi annually | 3 Years | 15 Feb 19 | 6.10% | 19,660 | | 8,702 | 10,958 | 1,035,270 | 1,010,125 | (25,145) | 67.81% |
| GoP Ijarah Sukuk Certificates - XVIII | Semi annually | 3 Years | 29 Mar 19 | 5.59% | | 500 | | 500 | 49,750 | 49,835 | 85 | 3.35% |
| GoP Ijarah Sukuk Certificates - XX | Semi-annually | 3 Years | 30-Jun-20 | 5.24% | - | 250 | - | 250 | 25,020 | 24,540 | (480) | 1.65% |
| Total - June 30, 2018 | | | | | 35,990 | 750 | 20,902 | 15,838 | 1,521,569 | 1,489,533 | (32,036) | 100.00% |
| Total - June 30, 2017 | | | | | | | | | 3,645,449 | 3,689,101 | 43,652 | |

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

5.2 Unrealised appreciation on re-measurement of investments classified as Financial assets at fair value through profit or loss

Note

2018 **2017**
(Rupees in '000)

Market value of investments

5.1

1,489,533

3,689,101

Carrying value of investments

5.1

(1,521,569)

(3,645,449)

(32,036)

43,652

5.3 Investments - 'loans and receivable

| Name of the bank | Maturity Date | Profit rate | As at July 01, 2017 | Term deposit receipts purchased during the year | Matured during the period | As at June 30, 2018 | Percentage in relation to | |
|--------------------------------------|---------------|-------------|---------------------|---|---------------------------|---------------------|-----------------------------------|---|
| | | | | | | | Total market value of investments | Net assets of the fund on the basis of market value |
| Habib Bank Limited - Islamic banking | May 07, 2018 | 5.90% | - | 100,000 | 100,000 | - | - | - |

6. DEPOSITS, PREPAYMENTS, PROFIT ACCRUED AND OTHER RECEIVABLES

2018 **2017**
(Rupees in '000)

Security deposit with Central Depository Company of Pakistan Limited
Prepayments
Profit receivable on balances with banks
Profit receivable on sukuk certificates
Others

100

100

126

222

8,394

13,388

25,145

47,887

394

394

34,159

61,991



| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|--------------|
| 7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED- MANAGEMENT COMPANY | | | |
| Management fee payable | 7.1 | 1,775 | 3,552 |
| Sindh Sales Tax payable on remuneration of the Management Company | 7.2 | 231 | 462 |
| Allocated expenses payable | 7.3 | 178 | 356 |
| Sales Load Payable | | 17 | 44 |
| Sindh Sales Tax on Sales Load Payable | | 2 | 6 |
| | | 2,203 | 4,420 |

7.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 1.5% of the average annual net assets in case of an Income scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2017: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2018. The remuneration is payable to the Management Company monthly in arrears.

7.2 During the year, an amount of Rs 3.669 million (2017: Rs 10.548 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 3.951 million (2017: Rs 11.184 million) has been paid to the Management Company which acts as a collecting agent.

7.3 The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 8. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee fee payable | 8.1 | 195 | 328 |
| Sindh Sales Tax payable on trustee fee | 8.2 | 25 | 43 |
| | | 220 | 371 |

8.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs. 1 billion 0.15% p.a. of net assets
- Rs 1 billion to Rs. 10 billion Rs 1.5 million plus 0.075% p.a. of net assets exceeding Rs 1 billion
- over Rs. 10 billion Rs 8.25 million plus 0.06% p.a. of net assets exceeding Rs 10 billion

8.2 During the year, an amount of Rs 0.373 million (2017: Rs 0.888 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 0.391 million (2017: Rs 0.930 million) was paid to the Trustee which acts as a collecting agent.

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

9.1 In accordance with the NBFC Regulations, 2008, a collective investment scheme classified as an Income Scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.075% of the average annual net assets of the Fund as annual fee.





10. PAYABLE AGAINST REDEMPTIONS OF UNITS

This includes units redeemed by the unit holders based on re-balancing of units on or before June 30, 2018 in respect of which payments were made subsequent to the year ended June 30, 2018.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|----------------|
| 11. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 470 | 310 |
| Printing charges payable | | 174 | 356 |
| Brokerage payable | | 289 | 271 |
| Shariah advisor fee payable | | 161 | 409 |
| Withholding tax payable | | 136 | 22,023 |
| Capital gain tax payable | | 155 | - |
| Provision for Sindh Workers' Welfare Fund | 11.1 | 13,902 | 12,690 |
| Zakat payable | | 87 | 22 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on management fee | 11.2 | 73,253 | 73,253 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on sales load | 11.2 | 2,391 | 2,391 |
| | | 91,018 | 111,725 |

11.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.35 per unit (2017: Re 0.15 per unit).

11.2 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended 30 June 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 75.644 million (2017: Rs 75.644 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 1.88 (2017: Re 0.90) per unit.

12. CONTINGENCIES AND COMMITMENTS

12.1 There were no other contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

13. PROFIT EARNED

Profit on:

Balances with banks

Term Deposits

Government Securities - Sukuk certificates

2018 **2017**
(Rupees in '000)

| | |
|----------------|---------|
| 39,645 | 87,857 |
| 2,942 | - |
| 124,871 | 382,547 |
| 167,458 | 470,404 |

14. AUDITORS' REMUNERATION

Annual audit fee

Half yearly review of condensed interim financial information

Fee for other certifications

Out of pocket expenses

353 230

120 120

- 90

17 7

490 447

15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 1.53% which includes 0.26% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal Excise Duties, Annual fee to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.





| 16. PERFORMANCE TABLE | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|------------------|--------------------|-------------------|-------------------|
| Net assets (Rs. in '000) (ex-distribution) | 2,120,516 | 4,354,375 | 7,944,746 | 8,656,701 | 20,280,685 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution) | 52.7240 | 51.64 | 50.80 | 50.47 | 50.48 |
| Offer price per unit as at June 30 (Rs.) (ex-distribution) | 53.0219 | 51.69 | 51.14 | 54.28 | 50.82 |
| Distribution (%) | | | | | |
| Interim | - | - | - | - | 1.80 |
| - First quarter | - | - | - | - | 1.68 |
| - Second quarter | - | - | - | - | 1.80 |
| - Third quarter | - | 5.50 | 4.50 | - | 2.10 |
| - Fourth quarter | - | - | 6.80 | - | - |
| Annual | | | | | |
| Dates of distribution (interim) | | | | | |
| - First quarter | - | - | - | - | 23-Sep-2013 |
| - Second quarter | - | - | - | - | 24-Dec-2013 |
| - Third quarter | - | - | - | - | 24-Mar-2014 |
| - Fourth quarter | | 23-Jun-2017 | 29-Jun-2016 | - | 29-May-2014 |
| Dates of distribution (annual) | Refer note 28 | - | July 3, 2015 | - | - |
| Income distribution (Rs. in '000) | - | 204,384 | 870,835 | - | 586 |
| Growth distribution (Rs. in '000) | - | - | - | - | 1,875,183 |
| Highest offer price per unit (Rs.) | 54.56 | 54.56 | 54.28 | 54.28 | 51.86 |
| Lowest offer price per unit (Rs.) | 51.13 | 51.13 | 50.86 | 50.88 | 50.36 |
| Highest redemption price per unit (Rs.) | 54.25 | 54.25 | 53.92 | 53.92 | 51.51 |
| Lowest redemption price per unit (Rs.) | 50.84 | 50.84 | 50.93 | 50.54 | 50.02 |
| Total return (%) | 2.57 | 6.57 | 5.12 | 6.81 | 8.50 |
| Weighted Average Portfolio Duration (years) | 1.55 | 1.55 | 0.03 | 0.40 | 0.78 |
| | One Year | Two Years | Three Years | Four Years | Five Years |
| Average annual return (%) as at June 30, 2018 | 2.57 | 4.57 | 4.75 | 5.27 | 5.91 |

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 20.

17. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management intends to distribute the required minimum percentage of income earned by the Fund for the year ended June 30, 2018 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 18.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 18.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 18.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 18.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 18.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

| | 2018 | 2017 |
|---|------------------|-----------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Limited (Management Company) | | |
| Transactions during the year | | |
| Remuneration charged | 28,222 | 81,154 |
| Sindh Sales Tax on remuneration of the Management Company | 3,669 | 10,548 |
| Allocated expenses | 2,822 | 8,114 |
| Issue of nil (2017: 19,610,309) units | - | 1,060,722 |
| Redemption of nil (2017: 19,610,309) units | - | 1,063,075 |
| Balances | | |
| Remuneration Payable | 1,775 | 3,552 |
| Sindh Sales Tax on management fee | 231 | 462 |
| Sales load payable | 17 | 44 |
| Sindh Sales Tax on sales load | 2 | 2 |
| Allocated expenses | 178 | 356 |
| Meezan Bank Limited | | |
| Transactions during the year | | |
| Profit on saving accounts | 598 | 1,480 |
| Units redeemed: 21,593,102 units (2017: nil units) | 1,108,590 | - |
| Dividend paid | - | 59,381 |
| Balances | | |
| Balances with bank | 42,023 | 36,625 |
| Profit receivable on saving accounts | 946 | 1,032 |
| Sales load payable | 285 | 203 |
| Sindh Sales Tax on sales load payable | 37 | 26 |
| Investments of nil units (2017: 21,593,102 units) | - | 1,115,068 |



| | 2018 | 2017 |
|--|------------------|-----------|
| | (Rupees in '000) | |
| Central Depository Company of Pakistan Limited (CDC) - Trustee | | |
| Transactions during the year | | |
| Remuneration of the Trustee | 2,867 | 6,830 |
| Sindh Sales Tax on remuneration of the Trustee | 373 | 888 |
| Settlement charges incurred | 6 | 2 |
| Sindh Sales Tax on settlement charges | 1 | - |
| Balances | | |
| Security deposits refundable | 100 | 100 |
| Remuneration Payable | 195 | 328 |
| Sindh Sales Tax on trustee fee | 25 | 43 |
| Meezan Financial Planning Fund of Funds | | |
| Aggressive Allocation Plan - Issue of Nil (2017: 4,865,600 units) | - | 256,802 |
| Conservative Allocation Plan - Issue of Nil (2017: 9,234,583 units) | - | 483,620 |
| Moderate Allocation Plan - Issue of Nil (2017: 6,442,217 units) | - | 338,173 |
| M CPP I - Issue of Nil (2017: 6,310,639 units) | - | 325,780 |
| M CPP II - Issue of Nil (2017: 55,963,747 units) | - | 2,889,385 |
| MAAP - I - Issue of Nil (2017: 6,675,654 units) | - | 341,702 |
| MAAP - II - Issue of Nil (2017: 5,194,921 units) | - | 266,210 |
| Aggressive Allocation Plan - Redemption of Nil (2017: 7,514,623 units) | - | 400,088 |
| Conservative Allocation Plan - Redemption of Nil (2017: 13,588,821 units) | - | 721,162 |
| Moderate Allocation Plan - Redemption of Nil (2017: 10,052,162 units) | - | 535,078 |
| M CPP I - Redemption of Nil (2017: 18,464,301 units) | - | 952,198 |
| M CPP II - Redemption of Nil (2017: 94,435,037 units) | - | 4,934,998 |
| MAAP - I - Redemption of 908,229 (2017: 8,778,344 units) | 46,700 | 463,264 |
| MAAP - II - Redemption of 1,579,961 (2017: 4,491,517 units) | 81,242 | 236,767 |
| Investment of 386 units - MAAP - I (2017: 908,615) | 20 | 46,702 |
| Investment of nil units - MAAP - II (2017: 1,579,961) | - | 81,210 |
| Meezan Capital Preservation Fund II | | |
| Issue of Nil (2017: 3,163,923) units | - | 161,500 |
| Redemption of Nil (2017: 7,611,866) units | - | 390,928 |
| Directors and their close family members and key management personnel of the Management Company | | |
| Issue of 121 (2017: 190,811) units | 6 | 9,991 |
| Redemption of 29,999 (2017: 182,368) units | 1,536 | 9,607 |
| Cash dividend | - | 92 |
| Investment of 5 units (2017: 31,123 units) | - | 1,600 |

18.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

19. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | |
|---|--------------------------------------|--------------------------------------|--------------------|------------------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 673,082 | - | - | 673,082 |
| Investments | - | 1,489,533 | - | 1,489,533 |
| Receivable against conversion of units | 31,469 | - | - | 31,469 |
| Deposits and profit accrued | 34,033 | - | - | 34,033 |
| | 738,584 | 1,489,533 | - | 2,228,117 |
| | 2018 | | | |
| | At fair value through profit or loss | Available-for-sale | Total | |
| | Rupees in '000 | | | |
| Financial liabilities | | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | - | 2,203 | 2,203 | |
| Payable to the Central Depository Company Limited - Trustee | - | 220 | 220 | |
| Payable against redemption and conversion of units | - | 11,847 | 11,847 | |
| Payable to Meezan Bank Limited | - | 322 | 322 | |
| Accrued expenses and other liabilities | - | 1,094 | 1,094 | |
| | - | 15,686 | 15,686 | |
| | 2017 | | | |
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 1,243,261 | - | - | 1,243,261 |
| Investments | - | 3,689,101 | - | 3,689,101 |
| Receivable against conversion of units | 718,732 | - | - | 718,732 |
| Deposits and profit accrued | 61,769 | - | - | 61,769 |
| | 2,023,762 | 3,689,101 | - | 5,712,863 |
| | 2017 | | | |
| | At fair value through profit or loss | Available-for-sale | Total | |
| | Rupees in '000 | | | |
| Financial liabilities | | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | - | 4,420 | 4,420 | |
| Payable to the Central Depository Company Limited - Trustee | - | 371 | 371 | |
| Payable against conversion of units | - | 1,189,116 | 1,189,116 | |
| Payable to Meezan Bank Limited | - | 229 | 229 | |
| Dividend Payable | - | 67,471 | 67,471 | |
| Accrued expenses and other liabilities | - | 1,346 | 1,346 | |
| | - | 1,262,953 | 1,262,953 | |



20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

20.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: Profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks and investments in Ijarah / sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based sukuk certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 0.08 million (2017: Rs. 0.13 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds GoP Ijarah sukuk which are classified as financial assets at fair value through profit or loss' exposing the Fund to fair value profit rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan for GoP Ijarah sukuk and with all other variables held constant, the net income for the year and net assets of the Fund would have been higher by Rs 0.25 million (2017: Rs 0.48 million). In case of 100 basis points decrease in those rates, the net income for the year and net assets of the Fund would have been lower by Rs 0.25 million (2017: Rs 0.48 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | 2018 | | | | | |
|---|-------------------------------------|---------------------------------------|--|--------------------|---|-----------|
| | 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 assets | | | | | | |
| Balances with banks | 2.00% - 6.60% | 667,641 | - | - | 5,441 | 673,082 |
| Investments | 5.24% - 6.10% | 1,010,125 | 479,408 | - | - | 1,489,533 |
| Receivable against conversion of units | | - | - | - | 31,469 | 31,469 |
| Deposits and profit accrued | | - | - | - | 34,033 | 34,033 |
| | | 1,677,766 | 479,408 | - | 70,943 | 2,228,117 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited | | - | - | - | 2,203 | 2,203 |
| Payable to the Central Depository Company Limited - Trustee | | - | - | - | 220 | 220 |
| Payable against conversion of units | | - | - | - | 11,847 | 11,847 |
| Payable to Meezan Bank Limited | | - | - | - | 322 | 322 |
| Dividend payable / unclaimed dividend | | - | - | - | - | - |
| Accrued expenses and other liabilities | | - | - | - | 1,094 | 1,094 |
| | | - | - | - | 15,686 | 15,686 |
| On-balance sheet gap (a) | | 1,677,766 | 479,408 | - | 55,257 | 2,212,431 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total interest rate sensitivity gap (a+b) | | 1,677,766 | 479,408 | - | - | - |
| Cumulative interest rate sensitivity gap | | 1,677,766 | 2,157,174 | 2,157,174 | - | - |
| 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) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.00% 6.10% | 1,227,312 | - | - | 15,949 | 1,243,261 |
| Investments | 5.24% 6.10% | - | 3,689,101 | - | - | 3,689,101 |
| Receivable against conversion of units | | - | - | - | 718,732 | 718,732 |
| Deposits and profit accrued | | - | - | - | 61,769 | 61,769 |
| | | 1,227,312 | 3,689,101 | - | 796,450 | 5,712,863 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited | | - | - | - | 4,420 | 4,420 |
| Payable to the Central Depository Company Limited - Trustee | | - | - | - | 371 | 371 |
| Payable against conversion of units | | - | - | - | 1,189,116 | 1,189,116 |
| Payable to Meezan Bank Limited | | - | - | - | 229 | 229 |
| Dividend payable / unclaimed dividend | | - | - | - | 67,471 | 67,471 |
| Accrued expenses and other liabilities | | - | - | - | 1,346 | 1,346 |
| Bank loan and overdraft or other forms of borrowing | | - | - | - | - | - |
| | | - | - | - | 1,262,953 | 1,262,953 |
| On-balance sheet gap (a) | | 1,227,312 | 3,689,101 | - | (466,503) | 4,449,910 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total interest rate sensitivity gap (a+b) | | 1,227,312 | 3,689,101 | - | - | - |
| Cumulative interest rate sensitivity gap | | 1,227,312 | 4,916,413 | 4,916,413 | - | - |



(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of 30 June 2018.

20.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | Financial instruments with no fixed maturity | Total |
|-----------------------------------|------------------|---|--|---|-------------------|--|-----------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than three months and upto five year | More than 5 years | | |
| | (Rupees in '000) | | | | | | |
| Financial assets | | | | | | | |
| Cash and bank balances | 673,082 | - | - | - | - | - | 673,082 |
| Investments | - | - | 1,464,993 | 24,540 | - | - | 1,489,533 |
| Receivable against issue of units | 31,469 | - | - | - | - | - | 31,469 |
| Deposits and profit accrued | 33,539 | - | - | - | - | 494 | 34,033 |
| | 738,090 | - | 1,464,993 | 24,540 | - | 494 | 2,228,117 |

| | 2018 | | | | | | Total |
|---|------------------|---|--|---|-------------------|--|------------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than three months and upto five year | More than 5 years | Financial instruments with no fixed maturity | |
| | (Rupees in '000) | | | | | | |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | 2,203 | - | - | - | - | - | 2,203 |
| Payable to the Central Depository Company Limited Limited - Trustee | 220 | - | - | - | - | - | 220 |
| Payable against conversion of units | 11,847 | - | - | - | - | - | 11,847 |
| Payable to Meezan Bank Limited | 322 | - | - | - | - | - | 322 |
| Accrued expenses and other liabilities | 289 | 631 | 174 | - | - | - | 1,094 |
| | 14,881 | 631 | 174 | - | - | - | 15,686 |
| Net assets / (liabilities) | 723,209 | (631) | 1,464,819 | 24,540 | - | 494 | 2,212,431 |
| | 2017 | | | | | | |
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than three months and upto five year | More than 5 years | Financial instruments with no fixed maturity | Total |
| | (Rupees in '000) | | | | | | |
| Financial assets | | | | | | | |
| Cash and bank balances | 1,243,261 | - | - | - | - | - | 1,243,261 |
| Investments | | | 3,689,101 | | | | 3,689,101 |
| Receivable against issue of units | 718,732 | - | - | - | - | - | 718,732 |
| Deposits and profit accrued | 61,275 | | | | | 494 | 61,769 |
| | 2,023,268 | - | 3,689,101 | - | - | 494 | 5,712,863 |
| Financial liabilities | | | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | 4,420 | | | | | | 4,420 |
| Payable to the Central Depository Company Limited Limited - Trustee | 371 | | | | | | 371 |
| Payable against conversion of units | 1,189,116 | | | | | | 1,189,116 |
| Payable to Meezan Bank Limited | 229 | | | | | | 229 |
| Accrued expenses and other liabilities | 271 | 719 | 356 | | | | 1,346 |
| | 1,194,407 | 719 | 356 | | | | 1,195,482 |
| Net assets / (liabilities) | 828,861 | (719) | 3,688,745 | | | 494 | 4,517,381 |

20.3 Credit risk

20.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. Credit risk arises from deposits with banks and financial institutions, profit receivable on bank deposits, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities, receivable against issuance and conversion and receivable against sale of investments.

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





The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| (Rupees in '000) | | | | |
| Balances with banks | 673,082 | 673,082 | 1,243,261 | 1,243,261 |
| Investments | 1,489,533 | - | 3,689,101 | - |
| Receivable against conversion of units | 31,469 | 31,469 | 718,732 | 718,732 |
| Deposits and profit accrued | 34,159 | 34,033 | 61,991 | 61,769 |
| | 2,228,243 | 738,584 | 5,713,085 | 2,023,762 |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

20.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, dividend receivable and receivable against sale of units and against investments, investments in sukuk certificates. The credit rating profile of balances with banks is as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|--|---------------|
| | 2018 | 2017 |
| AAA | 27.24 | 59.07 |
| AA+ | 6.62 | 1.04 |
| AA | 26.28 | 3.17 |
| A+ | 6.93 | 34.42 |
| A | 0.02 | 0.15 |
| A- | 32.91 | 2.15 |
| | 100.00 | 100.00 |

21. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|----------------|-----------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | - | 1,489,533 | - |
| | - | 1,489,533 | - |
| | | | |
| | 2017 | | |
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | - | 3,689,101 | - |
| | - | 3,689,101 | - |

22. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

23. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|----------------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 3,850 | 1,483,948 | 69.98 | 4,122 | 2,011,526 | 46.42 |
| Associated Companies / Directors | 1 | 20 | 0.00 | 6 | 1,239,468 | 28.60 |
| Insurance Companies | 3 | 13,466 | 0.64 | 11 | 226,417 | 5.22 |
| Retirement Funds | 39 | 510,853 | 24.09 | 45 | 615,504 | 14.20 |
| Public Limited Companies | 2 | 592 | 0.03 | 4 | 577 | 0.01 |
| Others | 82 | 111,637 | 5.26 | 86 | 240,176 | 5.54 |
| Total | 3,977 | 2,120,516 | 100.00% | 4,274 | 4,333,668 | 100.00% |



24. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2018 | | 2017 | |
|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| Paramount Capital (Private) Limited | 48.00 | Paramount Capital (Private) Limited | 45.00 |
| Invest Capital Markets Limited | 45.00 | Invest Capital Markets Limited | 31.00 |
| Vector Capital (Private) Limited | 7.00 | Vector Capital (Private) Limited | 18.00 |
| | <u>100.00</u> | JS Global Capital Limited | 3.00 |
| | | Arif Habib Securities Limited | 3.00 |
| | | | <u>100.00</u> |

25. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

25.1 The Fund manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund
- Meezan Islamic Income Fund

26. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | - | - | - | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | - |
| Ms. Saima Kamila Khan ** | Director | | | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | | | |
| Mazhar Sharif *** | Director | Yes | Yes | - | - | - |
| Mr. Naeem Sattar *** | Director | - | - | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

27. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

28. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The Board of Directors of the Management Company in the meeting held on July 6, 2018, approved a final cash dividend of Rs 1.24 per unit (2017: Rs 2.75 per unit) on the face value of Rs 50 each (i.e. 2.48%) amounting to Rs 37.025 million (2017: Rs 204.384 million). The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

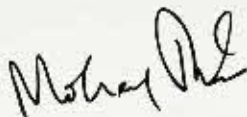
29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

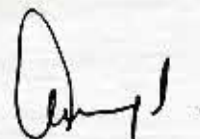
30. GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

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



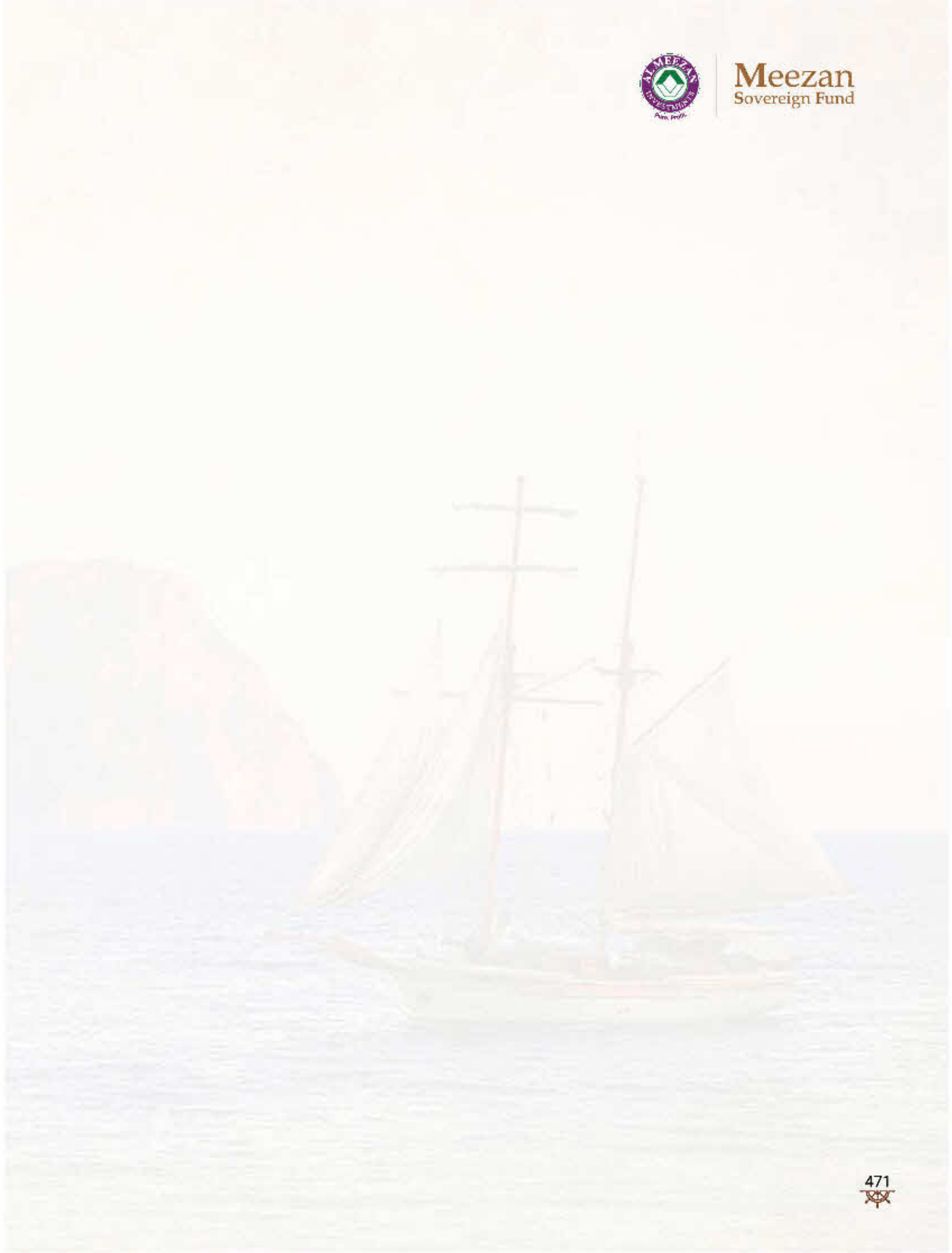
**Mohammad Shoaib, CFA
Chief Executive**

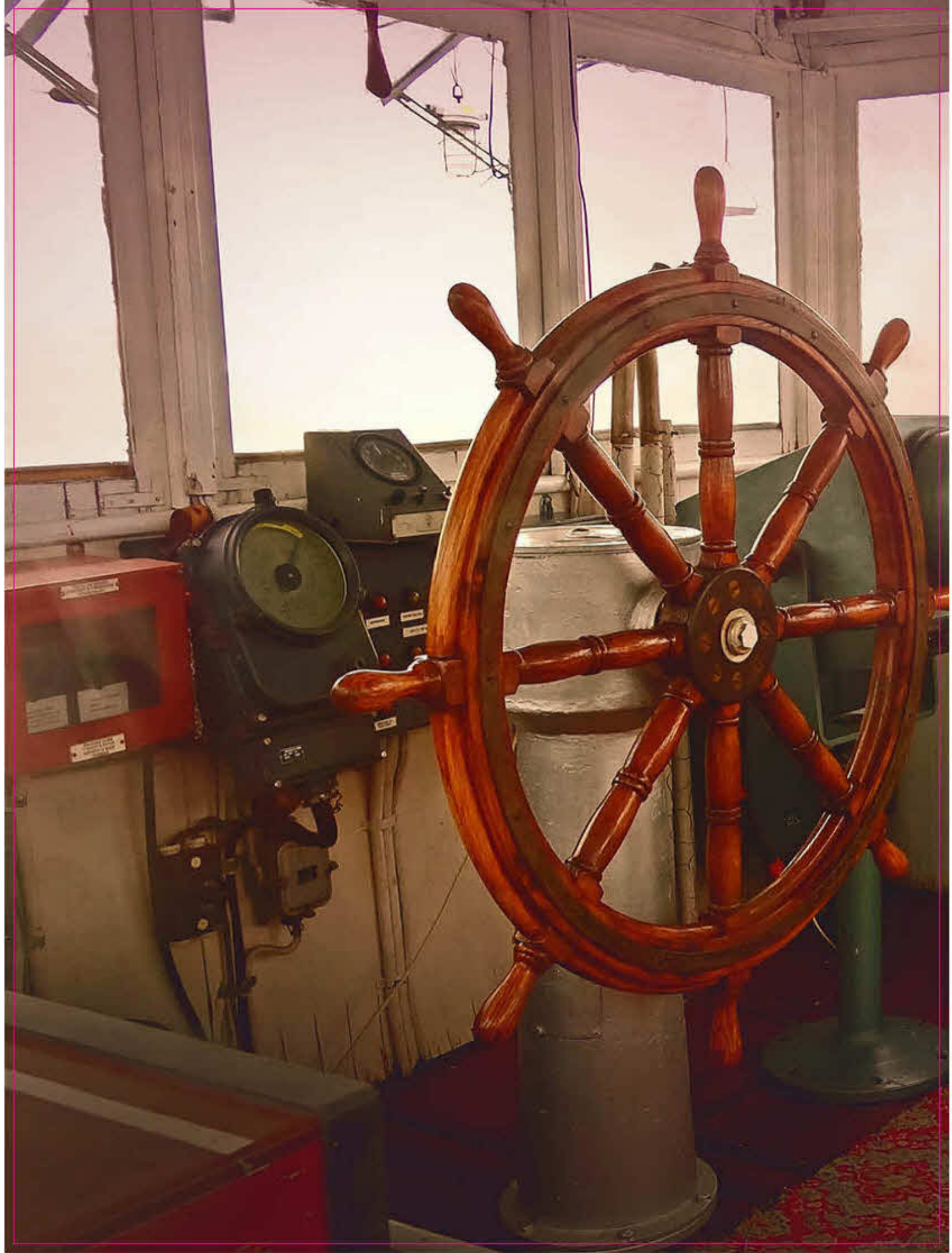


**Syed Amir Ali Zaidi
Director**



Meezan
Sovereign Fund







Meezan Cash Fund

MEEZAN CASH FUND (MCF)

Meezan Cash Fund is Pakistan's first Shariah compliant Money Market Fund. MCF aims to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in liquid Shariah compliant money market and debt securities.

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoab, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | 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

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Allied Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited - Islamic Banking
Habib Bank Limited - Islamic Banking

Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
Sindh Bank Limited - Islamic Banking
UBL Ameen

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

Open end cash fund investing primarily in Shariah compliant money market and Islamic bonds (Sukuks).

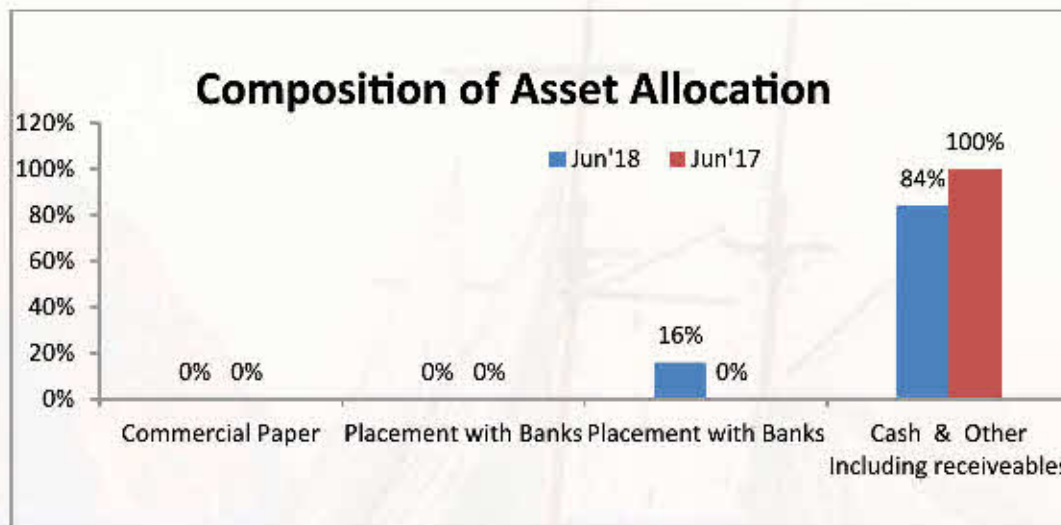
Objective

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

Investment Policy and Strategy

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

Sector Allocation as on June 30th 2017 and 2018



Performance Review

Meezan Cash Fund (MCF) provided a competitive return of 4.29% to its investors for the year ended June 30, 2018 as compared to its benchmark return of 2.58%.

The Fund earned a gross income of Rs. 426 million, which was primarily due to profit on bank deposits and placements amounting to Rs. 426 million. The fund also incurred expenses totalling to Rs. 112 million, which brought the net income figure to Rs. 314 million. The net assets of the Fund as at June 30, 2018 were Rs. 9,921 million as compared to Rs. 3,350 million at the end of last year depicting an increase of 196%. The net asset value per unit as at June 30, 2018 was Rs. 52.60 as compared to Rs. 50.43 per unit as on June 30, 2017.

Distributions

The final Payout by the Fund during the fiscal year ended June 30, 2018 was Rs. 2.16 per unit (4.33%). Total distribution made by the fund was Rs. 178 million.

Fund Stability Rating

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

Breakdown of unit holdings by size

(As on June 30, 2018)

| Range (Units) | No. of Investors |
|----------------------|-------------------------|
| 1 - 9,999 | 5,360 |
| 10,000 - 49,999 | 1,285 |
| 50,000 - 99,999 | 223 |
| 100,000 - 499,999 | 145 |
| 500,000 and above | 25 |
| Total | 7,038 |



Meezan Bank
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

Alhamdulillah, the period from July 1, 2017 to June 30, 2018 was the tenth year of operations of Meezan Cash Fund (MCF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.



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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MCF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MCF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MCF for the year ended June 30, 2018 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shari'ah Advisor

Meezan Bank Ltd.

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN CASH FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Cash Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Cash Fund
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Cash Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Table with 3 columns: S. No., Key Audit Matters, and How the matter was addressed in our audit. Row 1: Amendments to NBFC Regulations, 2008. Includes details on SEC notification and audit procedures.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|---|
| | <p>notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The SECP notification also stipulates that the accounting income available for distribution as appearing in the "Income Statement" excludes income already paid on units redeemed during the year. Accordingly, the net amount appearing on the "Income Statement" after deducting the income already paid on units redeemed is to be considered as the distributable amount.</p> <p>In order to avail tax exemption, the Fund has to distribute 90 percent of its accounting income (excluding realised and unrealised capital gains). However, at the time of distribution of income, the element of income contributed on issue of units recognized in the equity during the year is required to be refunded on the units in the same proportion in which income is distributed from the Income Statement i.e after taking into account the amount of income already paid on units redeemed. Management has developed a system for carrying out the calculations for such distributions.</p> <p>These calculations are important from the point of view of ensuring compliance with the applicable requirements. The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | <p>We recalculated the profit available for distribution taking into account amount already distributed at the time of redemption.</p> <p>We verified the accuracy of the management report for allocation of distributable amount between "distribution out of income" and "refund of capital". This included testing the parameters of the report.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 1.66 billion and balances with banks aggregated to Rs 8.47 billion.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Ensured that the investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern.

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If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.

Attaqur Rahman, C.A.
Chartered Accountants
Karachi

Date: September 19, 2018





STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-------------------|
| Assets | | | |
| Balances with banks | 4 | 8,470,637 | 3,730,705 |
| Investments | 5 | 1,657,000 | - |
| Receivable against conversion of units | | 86,612 | 738,771 |
| Profit accrued | 6 | 73,526 | 37,071 |
| Deposits and prepayments | 7 | 572 | 596 |
| Total assets | | 10,288,347 | 4,507,143 |
| Liabilities | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | 8 | 10,198 | 4,550 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 9 | 763 | 375 |
| Payable to the Securities and Exchange Commission of Pakistan | 10 | 5,536 | 2,903 |
| Payable against conversion and redemption of units | | 308,928 | 1,096,454 |
| Dividend payable | | - | 4,552 |
| Accrued expenses and other liabilities | 11 | 41,970 | 47,915 |
| Total liabilities | | 367,395 | 1,156,749 |
| NET ASSETS | | 9,920,952 | 3,350,394 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 9,920,952 | 3,350,394 |
| CONTINGENCIES AND COMMITMENTS | 12 | | |
| NUMBER OF UNITS IN ISSUE | | 188,624,016 | 66,430,638 |
| | | | (Rupees) |
| NET ASSET VALUE PER UNIT | | 52.5964 | 50.4300 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

For AI Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

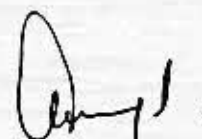
| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|----------------|
| Income | | | |
| Profit earned | 13 | 425,878 | 226,133 |
| Reversal of Workers' Welfare Fund (WWF) | | - | 58,585 |
| Total income | | 425,878 | 284,718 |
| Expenses | | | |
| Remuneration of AI Meezan Investment Management Limited - Management Company | 8.1 | 73,813 | 38,809 |
| Sindh Sales Tax on remuneration of the Management Company | 8.2 | 9,596 | 5,034 |
| Allocated expenses | 8.3 | 7,381 | 3,844 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 9.1 | 6,284 | 3,661 |
| Sindh Sales Tax on remuneration of the Trustee | 9.2 | 817 | 476 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 10 | 5,536 | 2,903 |
| Auditors' remuneration | 14 | 464 | 435 |
| Fees and Subscription | | 1,130 | 734 |
| Printing expenses | | 119 | 223 |
| Legal and professional charges | | 76 | 104 |
| Bank and settlement charges | | 379 | 198 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 11.2 | 6,406 | 6,091 |
| Total expenses | | 112,001 | 62,512 |
| Net income from operating activities | | 313,877 | 222,206 |
| Element of loss and capital losses included in the prices of units issued less those in units redeemed - net | 3.1 | - | (23,468) |
| Net income for the year before taxation | | 313,877 | 198,738 |
| Taxation | 16 | - | - |
| Net income for the year after taxation | | 313,877 | 198,738 |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | 313,877 | - |
| Income already paid on units redeemed | | (135,869) | - |
| | | 178,008 | - |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | 178,008 | - |
| | | 178,008 | - |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**






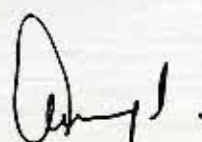
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|---------|
| Net income for the year after taxation | 313,877 | 198,738 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | 313,877 | 198,738 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

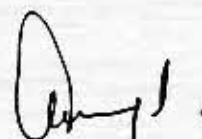
| | 2018 | | |
|--|------------------|-------------------------------|---------------------------------|
| | Capital Value | Undistributed income / (loss) | Total |
| | (Rupees in '000) | | |
| Net assets at beginning of the year | 3,314,546 | 35,848 | 3,350,394 |
| Issuance of 709,742,876 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 35,792,333 | - | 35,792,333 |
| - Element of income | 774,214 | - | 774,214 |
| Total proceeds on issuance of units | 36,566,547 | - | 36,566,547 |
| Redemption of 587,549,498 units | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 29,630,121 | - | 29,630,121 |
| - Element of income | 543,876 | 135,869 | 679,745 |
| Total payments on redemption of units | 30,173,997 | 135,869 | 30,309,866 |
| Total comprehensive income for the year | - | 313,877 | 313,877 |
| Distribution during the year | - | - | - |
| Net Income for the year less distribution | - | 313,877 | 313,877 |
| Net assets at end of the year | 9,707,096 | 213,856 | 9,920,952 |
| Undistributed income carried forward | | | |
| - Realised income | | 213,856 | |
| - Unrealised income | | - | |
| | | 213,856 | |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | |
| - Excluding capital gains | | 178,008 | |
| | | 178,008 | |
| Net assets value per unit at beginning of the year | | | (Rupees) 50.4300 |
| Net assets value per unit at end of the year | | | 52.5964 |
| | | | June 30, 2017 Rupees in '000 |
| Capital Value | | | 3,415,326 |
| Undistributed income brought forward | | | 16,456 |
| - Realised | | | - |
| - Unrealised | | | - |
| Net assets at beginning of the year | | | 3,431,782 |
| Issuance of 396,890,720 units | | | 22,077,080 |
| Redemption of 468,956,990 units | | | (22,201,328) |
| | | | (124,248) |
| Element of loss and capital losses included in prices of units issued less those in units redeemed - net | | | 23,468 |
| Realised loss on sale of sukuk certificates | | | - |
| Other net income for the year | | | 198,738 |
| Total comprehensive income for the year | | | 198,738 |
| Interim distribution for the year ended June 30, 2017 cash dividend @ 5.50% (Rs. 2.75 per unit) | | | (179,346) |
| Net Income for the year less distribution | | | 19,392 |
| Net assets at end of the year | | | 3,350,394 |
| Represented by: | | | |
| Capital value | | | 3,314,546 |
| Undistributed Income carried forward | | | 35,848 |
| - Realised income | | | - |
| - Unrealised income | | | - |
| | | | 3,350,394 |
| | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 50.1400 |
| Net assets value per unit at end of the year | | | 50.4300 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**



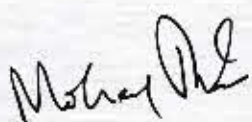
CASH FLOW STATEMENT

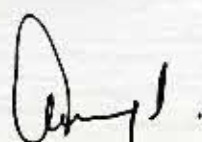
FOR THE YEAR ENDED JUNE 30, 2018

| Note | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year before taxation | 313,877 | 198,738 |
| Adjustments for: | | |
| Element of loss and capital losses included in prices of units issued less those in units redeemed - net | - | 23,468 |
| | 313,877 | 222,206 |
| (Increase) / decrease in assets | | |
| Investments - net | - | 800,000 |
| Profit accrued | (36,455) | 5,017 |
| Deposits and prepayments | 24 | (32) |
| | (36,431) | 804,985 |
| (Decrease) / increase in liabilities | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 5,648 | 1,113 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 388 | (241) |
| Payable to the Securities and Exchange Commission of Pakistan | 2,633 | (849) |
| Accrued expenses and other liabilities | (5,945) | (52,109) |
| | 2,724 | (52,086) |
| Net cash (used in) / generated from operating activities | 280,170 | 975,105 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts against issuance and conversion of units | 37,218,706 | 22,482,240 |
| Payments against redemption and conversion of units | (31,097,392) | (21,590,372) |
| Dividend paid | (4,552) | (174,819) |
| Net cash generated from financing activities | 6,116,762 | 717,049 |
| Net increase in cash and cash equivalents | 6,396,932 | 1,692,154 |
| Cash and cash equivalents at the beginning of the year | 3,730,705 | 2,038,551 |
| Cash and cash equivalents at the end of the year | 18 10,127,637 | 3,730,705 |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Cash Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns, if available, at any given point in time. The Fund shall seek to maximise preservation of capital and a reasonable rate of return via investing primarily in liquid Shariah compliant money market and Shariah compliant debt securities. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is categorized as an open-end Shariah Compliant (Islamic) Money Market Scheme listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Management Company has been given a quality rating of AM1 and the stability rating of the Fund is AA(f) given by JCR-VIS Credit Rating Company Limited.
- 1.5** The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a Trustee.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.





Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 18).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as at fair value through profit or loss' which are measured at their respective fair value.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the changes in accounting policies as explained in notes 3.10 and 3.11 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:



a) Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

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

b) Loans and receivables

These are carried at amortised cost using the effective yield method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

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

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units





redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs 92.579 million net off charge for SWWF with immaterial effect on the 'net assets attributable to the unit holders' and NAV per unit of the Fund as disclosed in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund' respectively. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.11** During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits is recognised on time proportion basis using the effective yield method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.

- Income on sukuk certificates, placements and government securities is recognised on a time proportionate basis using the effective yield method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates. The charge for current tax also include adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

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

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

3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.16 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.



| 4. BALANCES WITH BANKS | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|-------------------------|------|--------------------------|--------------------------|
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 8,468,137 | 3,705,496 |
| Current account | | 2,500 | 25,209 |
| | | 8,470,637 | 3,730,705 |

4.1 The balances in saving accounts have expected profit rates ranging from 2.40% to 6.60% per annum (2017: 2.40% to 6.10% per annum).

| 5. INVESTMENTS | Note | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|------------------------------|------|--------------------------|--------------------------|
| Loans and receivables | | | |
| Term deposit receipts | 5.1 | 1,657,000 | - |
| | | 1,657,000 | - |

5.1 Details of term deposit receipts

| Name of the bank | Maturity Date | Profit rate | As at July 01, 2017 | Term deposit receipts placed during the year | Matured during the year | As at June 30, 2018 | Percentage of market value of total investments |
|----------------------------|---------------|-------------|---------------------|--|-------------------------|---------------------|---|
| | | | | | | | |
| Bank Al Habib Limited | 1 Nov 17 | 5.80% | - | 420,000 | 420,000 | - | 0% |
| Bank Al Habib Limited | 1-Feb-18 | 5.85% | - | 670,000 | 670,000 | - | 0% |
| Habib Bank Limited | 7-May-18 | 5.90% | - | 650,000 | 650,000 | - | 0% |
| Habib Bank Limited | 29-Jan-18 | 6.20% | - | 110,000 | 110,000 | - | 0% |
| Bank Al Habib Limited | 30-Apr-18 | 5.90% | - | 757,000 | 757,000 | - | 0% |
| Faysal Bank Limited | 9 May 18 | 5.95% | - | 760,000 | 760,000 | - | 0% |
| Bank Al Habib Limited | 16 May 18 | 6.05% | - | 757,000 | 757,000 | - | 0% |
| Faysal Bank Limited | 16 May 18 | 6.13% | - | 900,000 | 900,000 | - | 0% |
| Bank Al Habib Limited | 30 Jul 18 | 6.05% | - | 757,000 | - | 757,000 | 46% |
| Faysal Bank Limited | 18 Aug 18 | 6.13% | - | 900,000 | - | 900,000 | 54% |
| As at June 30, 2018 | | | | 6,681,000 | 5,024,000 | 1,657,000 | 100% |
| As at June 30, 2017 | | | | - | - | - | - |

| 6. PROFIT ACCRUED | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|-----------------------|--------------------------|--------------------------|
| Profit accrued on | | |
| Bank balances | 60,830 | 37,071 |
| Term deposit receipts | 12,696 | - |
| | 73,526 | 37,071 |

| 7. DEPOSITS AND PREPAYMENTS | 2018 (Rupees in '000) | 2017 (Rupees in '000) |
|--|--------------------------|--------------------------|
| Security deposit with Central Depository Company of Pakistan Limited | 100 | 100 |
| Prepayments | 272 | 296 |
| Initial deposit with Meezan Bank Limited | 200 | 200 |
| | 572 | 596 |

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|--------------|
| 8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY | | | |
| Management fee payable | 8.1 | 8,291 | 3,700 |
| Sindh Sales Tax payable on remuneration of the Management Company | 8.2 | 1,078 | 481 |
| Allocated expenses | 8.3 | 829 | 369 |
| | | 10,198 | 4,550 |

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 3% of the average annual net assets in case of Money Market Scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2017: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2018. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 9.596 million (2017: Rs 5.034 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 8.999 million (2017: Rs. 4.941 million) has been paid to the Management Company which acts as a collecting agent.

8.3 The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|------------|
| 9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE - RELATED PARTY | | | |
| Trustee fee payable | 9.1 | 683 | 332 |
| Sindh Sales Tax payable on trustee fee | 9.2 | 80 | 43 |
| | | 763 | 375 |

9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- Up to Rs 1 billion 0.15% per annum of net assets
- from Rs 1 billion to Rs.10 billion Rs 1.5 million plus 0.075% per annum of net assets exceeding Rs 1 billion.
- exceeding Rs.10 billion Rs 8.25 million plus 0.06% per annum of net assets exceeding Rs 10 billion.

9.2 During the year, an amount of Rs 0.817 million (2017: Rs 0.476 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 0.780 million (2017: Rs 0.509 million) was paid to the Trustee which acts as a collecting agent.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a collective investment scheme classified as a Money Market scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.075% of the average annual net assets of the Fund as annual fee.



| | Note | 2018 (Rupees in '000) | 2017 |
|---|------|--------------------------|---------------|
| 11. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 445 | 295 |
| Printing expenses payable | | 40 | 98 |
| Shariah advisor fee payable | | 403 | 268 |
| Withholding tax payable | | 3,659 | 16,450 |
| Federal Excise Duty payable on remuneration of the Management Company | 11.1 | 24,687 | 24,687 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 11.2 | 12,497 | 6,091 |
| Zakat payable | | 239 | 26 |
| | | 41,970 | 47,915 |

- 11.1** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16% on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 24.687 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Rs 0.13 (2017: Rs 0.37) per unit.

- 11.2** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Rs. 0.07 per unit (2017: Rs 0.09 per unit).

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

13. PROFIT EARNED

Profit on:

Savings and term deposits
Sukuk certificates

2018 2017
(Rupees in '000)

| | |
|----------------|----------------|
| 425,878 | 219,288 |
| - | 6,845 |
| 425,878 | 226,133 |
| | |
| 336 | 175 |
| 111 | 110 |
| - | 120 |
| 17 | 30 |
| 464 | 435 |

14. AUDITORS' REMUNERATION

Annual audit fee
Half yearly review
Other certification fee
Out of pocket expenses

15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 1.52% which includes 0.30% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Money Market scheme.

16. PERFORMANCE TABLE

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|-----------|-----------|-----------|-----------|
| Net assets (Rs '000) (ex-distribution) | 9,920,952 | 3,350,394 | 3,431,782 | 7,617,739 | 3,049,366 |
| Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution) * | 50.4315 | 50.43 | 50.14 | 50.10 | 50.07 |
| Offer price per unit as at June 30 (Rs) (ex-distribution) * | 50.4315 | 50.43 | 50.14 | 50.10 | 50.07 |
| Distribution (%) | | | | | |
| - First interim distribution | - | 5.50 | 4.50 | 7.40 | 0.54 |
| - Second interim distribution | - | - | - | - | 0.60 |
| - Third interim distribution | - | - | - | - | 0.60 |
| - Fourth interim distribution | - | - | - | - | 0.64 |
| - Fifth interim distribution | - | - | - | - | 0.54 |
| - Sixth interim distribution | - | - | - | - | 0.60 |
| - Seventh interim distribution | - | - | - | - | 0.60 |
| - Eighth interim distribution | - | - | - | - | 0.60 |
| - Ninth interim distribution | - | - | - | - | 0.60 |
| - Tenth interim distribution | - | - | - | - | 0.52 |
| - Eleventh interim distribution | - | - | - | - | 0.48 |
| - Final distribution | Refer note 28 | - | - | - | 0.52 |





| 16. PERFORMANCE TABLE | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|-----------------|-------------------|------------------|------------------|
| - First interim distribution | - | Jun 23, 2017 | Jun 24, 2016 | Jun 26, 2015 | Jul 23, 2013 |
| - Second interim distribution | - | - | - | - | Aug 22, 2013 |
| - Third interim distribution | - | - | - | - | Sep 20, 2013 |
| - Fourth interim distribution | - | - | - | - | Oct 23, 2013 |
| - Fifth interim distribution | - | - | - | - | Nov 21, 2013 |
| - Sixth interim distribution | - | - | - | - | Dec 24, 2013 |
| - Seventh interim distribution | - | - | - | - | Jan 24, 2014 |
| - Eighth interim distribution | - | - | - | - | Feb 24, 2014 |
| - Ninth interim distribution | - | - | - | - | Mar 24, 2014 |
| - Tenth interim distribution | - | - | - | - | Apr 24, 2014 |
| - Eleventh interim distribution | - | - | - | - | May 23, 2014 |
| - Final distribution | July 06, 2018 | - | - | - | Jun 24, 2014 |
| Income distribution (Rupees in '000) | 178,008 | 179,346 | 98,455 | 231,767 | 133 |
| Growth distribution (Rupees in '000) | 230,344 | - | - | - | 379,647 |
| Highest offer price per unit (Rs.) | 52.5964 | 53.12 | 52.32 | 53.72 | 50.35 |
| Lowest offer price per unit (Rs.) | 50.4345 | 50.21 | 50.09 | 50.04 | 50.00 |
| Highest redemption price per unit (Rs.) | 52.5964 | 53.12 | 52.32 | 53.72 | 50.35 |
| Lowest redemption price per unit (Rs.) * | 50.4345 | 50.21 | 50.09 | 50.04 | 50.00 |
| Total return (%) | 4.30 | 6.07 | 4.59 | 7.46 | 7.08 |
| | One Year | Two Year | Three Year | Four Year | Five Year |
| Average annual return (%) as at June 30, 2018 | 4.30 | 5.12 | 4.94 | 5.49 | 5.78 |

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

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate .

16. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management intends to distribute the required minimum percentage of income earned by the Fund for the year ended June 30, 2018 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 17.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and Executives of the Management Company, other funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company and unitholders holding 10 percent or more of the Fund's net assets.

- 17.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 17.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.
- 17.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

| | 2018 | 2017 |
|---|------------------|---------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Limited | | |
| - Management Company | | |
| Transactions during the year | | |
| Remuneration charged | 73,813 | 38,809 |
| Sindh Sales Tax on remuneration of the Management Company | 9,596 | 5,034 |
| Allocated expenses | 7,381 | 3,844 |
| Balances | | |
| Remuneration Payable | 8,291 | 3,700 |
| Sindh Sales Tax on accounting and operational charges | 1,078 | 481 |
| Allocated expenses | 829 | 369 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Transactions during the year | | |
| Remuneration of the Trustee | 6,284 | 3,661 |
| Sindh Sales Tax on remuneration of the Trustee | 817 | 476 |
| Settlement charges incurred | 6 | 7 |
| Balances | | |
| Remuneration Payable | 683 | 340 |
| Sindh Sales Tax on trustee fee payable | 80 | 35 |
| Security deposits | 100 | 100 |
| Meezan Bank Limited | | |
| Transactions during the year | | |
| Balance with bank | 133,042 | 33,858 |
| Profit receivable on saving account | 1,288 | 1,441 |
| Balances | | |
| Profit on saving account | 2,893 | 1,623 |
| Units issued: 10,303,266 units (June 30, 2017: Nil units) | 530,000 | - |
| Units redeemed: 10,303,266 units (June 30, 2017: Nil units) | 530,517 | - |
| MFPF - Meezan Aggressive Allocation Plan | | |
| Units issued: 212,965 units (June 30, 2017: 2,228,076 units) | 10,997 | 117,329 |
| Units redeemed: 898,696 units (June 30, 2017: 359,359 units) | 45,970 | 18,858 |
| Dividend Paid | - | 5,067 |
| Investment of 1,182,986 (June 30, 2017: 1,868,717 units) | 62,221 | 94,239 |





| | 2018 (Rupees in '000) | 2017 |
|---|--------------------------|---------|
| MFPF - Meezan Conservative Allocation Plan | | |
| Units issued: 368,345 units (June 30, 2017: 3,362,999 units) | 18,985 | 177,125 |
| Units redeemed: 1,385,690 units (June 30, 2017: 328,489 units) | 71,072 | 16,941 |
| Dividend Paid | - | 5,872 |
| Investment of 2,017,164 units (June 30, 2017: 3,034,510 units) | 106,096 | 153,030 |
| MFPF - Meezan Moderate Allocation Plan | | |
| Units issued: 340,959 units (June 30, 2017: 2,343,328 units) | 17,616 | 123,391 |
| Units redeemed: 896,651 units (June 30, 2017: 315,296 units) | 46,071 | 16,119 |
| Dividend Paid | - | 8,374 |
| Investment of 1,472,341 units (June 30, 2017: 2,028,032 units) | 77,440 | 102,274 |
| MFPF - Meezan Asset Allocation Plan - I | | |
| Units issued: 3,634,077 units (June 30, 2017: 2,340,409 units) | 185,030 | 122,107 |
| Units redeemed: 4,946,368 units (June 30, 2017: 463,492 units) | 252,980 | 24,218 |
| Dividend Paid | - | 4,894 |
| Investment of 564,625 units (June 30, 2017: 1,876,917 units) | 29,697 | 94,653 |
| MFPF - Meezan Asset Allocation Plan - II | | |
| Units issued: 13,750,054 units (June 30, 2017: 2,823,075 units) | 705,388 | 145,949 |
| Units redeemed: 15,325,017 units (June 30, 2017: 1,248,112 units) | 789,452 | 65,394 |
| Dividend Paid | - | 4,107 |
| Investment of Nil units (June 30, 2017: 1,574,963 units) | - | 79,425 |
| MFPF - Meezan Asset Allocation Plan - III | | |
| Units issued: 58,062,364 units (June 30, 2017: 5,397,053 units) | 2,995,511 | 283,032 |
| Units redeemed: 58,062,364 units (June 30, 2017: 5,397,053 units) | 3,010,181 | 273,898 |
| Dividend Paid | - | 12,032 |
| MFPF - Meezan Asset Allocation Plan - IV | | |
| Units issued: 391,619 units (June 30, 2017: 1,406,135 units) | 20,000 | 73,667 |
| Units redeemed: 835,093 units (June 30, 2017: Nil units) | 43,160 | - |
| Dividend Paid | - | 3,667 |
| Investment of 962,661 units (June 30, 2017: 1,406,135 units) | 50,632 | 70,911 |
| Meezan Strategic Asset Allocation Fund - MSAP-I | | |
| Units issued: 3,993,262 units (June 30, 2017: 4,033,032 units) | 201,500 | 211,399 |
| Units redeemed: 2,173,221 units (June 30, 2017: 4,033,032 units) | 112,371 | 203,469 |
| Dividend Paid | - | 10,423 |
| Investment of 1,820,041 units (June 30, 2017: Nil) | 95,728 | - |
| Meezan Strategic Asset Allocation Fund - MSAP-II | | |
| Units issued: 69 units (June 30, 2017: 2,523,778 units) | 4 | 132,292 |
| Units redeemed: 880,336 units (June 30, 2017: 3,793 units) | 45,591 | 200 |
| Dividend Paid | - | 6,571 |
| Investment of 1,639,719 units (June 30, 2017: 2,519,985 units) | 86,243 | 127,083 |
| Meezan Strategic Asset Allocation Fund - MSAP-III | | |
| Units issued: 3,606,817 units (June 30, 2017: 4,094,901 units) | 182,000 | 214,936 |
| Units redeemed: 650,740 units (June 30, 2017: 4,085,153 units) | 33,940 | 207,000 |
| Dividend Paid | - | 9,436 |
| Investment of 2,965,825 units (June 30, 2017: 9,748 units) | 155,992 | 492 |

| | 2018 (Rupees in '000) | 2017 |
|--|--------------------------|---------|
| Meezan Strategic Asset Allocation Fund - MSAP-IV | | |
| Units issued: 2,576,298 units (June 30, 2017: 6,724,071 units) | 130,000 | 356,152 |
| Units redeemed: 253,653 units (June 30, 2017: 5,522,518 units) | 13,140 | 289,514 |
| Dividend Paid | - | 6,649 |
| Investment of 3,524,201 units (June 30, 2017: 1,201,553 units) | 185,360 | 60,594 |
| Meezan Strategic Asset Allocation Fund - MSAP-V | | |
| Units issued: 8,654,895 units (June 30, 2017: Nil units) | 441,000 | - |
| Units redeemed: 6,509,422 units (June 30, 2017: Nil units) | 332,508 | - |
| Investment of 2,145,473 units (June 30, 2017: Nil) | 112,844 | - |
| Meezan Strategic Allocation Fund - MCPP - III | | |
| Units issued: 38,939,974 units (June 30, 2017: Nil units) | 2,015,155 | - |
| Units redeemed: 15,708,622 units (June 30, 2017: Nil units) | 815,330 | - |
| Investment of 23,231,836 units (June 30, 2017: Nil) | 1,221,911 | - |
| Meezan Strategic Allocation Fund-II - MCPP - IV | | |
| Units issued: 51,132,660 units (June 30, 2017: Nil units) | 2,665,000 | - |
| Units redeemed: 17,243,182 units (June 30, 2017: Nil units) | 900,280 | - |
| Investment of 33,889,478 units (June 30, 2017: Nil) | 1,782,465 | - |
| Meezan Strategic Allocation Fund-II - MCPP - V | | |
| Units issued: 12,517,489 units (June 30, 2017: Nil units) | 656,100 | - |
| Units redeemed: 2,922,299 units (June 30, 2017: Nil units) | 153,350 | - |
| Investment of 9,595,190 units (June 30, 2017: Nil) | 504,672 | - |
| Directors and executives of the Management Company | | |
| Units issued: 441,029 units (June 30, 2017: 270,865 units) | 22,665 | 14,186 |
| Units redeemed: 334,999 units (June 30, 2017: 294,804 units) | 17,294 | 15,352 |
| Dividend Paid | - | 226 |
| Investment of 108,096 units (June 30, 2017: 86,239 units) | 5,685 | 4,349 |

| | Note | 2018 (Rupees in '000) | 2017 |
|--|------|--------------------------|-----------|
| 18. CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 4 | 8,470,637 | 3,730,705 |
| Term Deposit Receipt (with original maturity of three months) | 5 | 1,657,000 | - |
| | | 10,127,637 | 3,730,705 |



19. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | |
|--|-----------------------|--------------------------------------|--------------------|-------------------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 8,470,637 | - | - | 8,470,637 |
| Investments | 1,657,000 | - | - | 1,657,000 |
| Receivable against conversion of units | 86,612 | - | - | 86,612 |
| Profit accrued | 73,526 | - | - | 73,526 |
| Deposits | 300 | - | - | 300 |
| | 10,288,075 | - | - | 10,288,075 |

| | 2018 | | |
|---|--------------------------------------|-------------------|----------------|
| | At fair value through profit or loss | At amortised cost | Total |
| | Rupees in '000 | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | 10,198 | 10,198 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | 763 | 763 |
| Payable against conversion and redemption of units | - | 308,928 | 308,928 |
| Accrued expenses and other liabilities | - | 888 | 888 |
| | - | 320,777 | 320,777 |

| | 2017 | | | |
|--|-----------------------|--------------------------------------|--------------------|------------------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| | Rupees in '000 | | | |
| Financial assets | | | | |
| Balances with banks | 3,730,705 | - | - | 3,730,705 |
| Investments | - | - | - | - |
| Receivable against conversion of units | 738,771 | - | - | 738,771 |
| Dividend and other receivables | - | - | - | - |
| Profit accrued | 37,071 | - | - | 37,071 |
| Deposits | 300 | - | - | 300 |
| | 4,506,847 | - | - | 4,506,847 |

| | 2017 | | |
|---|--------------------------------------|-------------------|------------------|
| | At fair value through profit or loss | At amortised cost | Total |
| | Rupees in '000 | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | 4,550 | 4,550 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | 375 | 375 |
| Payable against conversion and redemption of units | - | 1,096,454 | 1,096,454 |
| Dividend payable | - | 4,552 | 4,552 |
| Accrued expenses and other liabilities | - | 661 | 661 |
| | - | 1,106,592 | 1,106,592 |

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risks managed and measured by the Fund are explained below:

20.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: profit rate risk, currency risk and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks and investments in term deposit receipts. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

The Fund's profit rate risk arises from the balances in savings accounts. At June 30, 2018, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 0.67 million (2017: Rs 0.37 million).

b) Sensitivity analysis for fixed rate instruments

The Fund's fixed rate risk arises from investments in term deposit receipts. At June 30, 2018, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 0.07 million (2017: Rs Nil).

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.



The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| 2018 | | | | | |
|---|---------------------------------------|--|--------------------|---|-------------------|
| 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 assets | | | | | |
| Balances with banks | 2.4% to 6.6% | 8,468,137 | - | 2,500 | 8,470,637 |
| Investments | 6.05% to 6.13% | 1,657,000 | - | - | 1,657,000 |
| Receivable against conversion of units | | - | - | 86,612 | 86,612 |
| Profit accrued | | - | - | 73,526 | 73,526 |
| Deposits | | - | - | 300 | 300 |
| | | 10,125,137 | - | 162,938 | 10,288,075 |
| Financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | 10,198 | 10,198 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | - | - | 763 | 763 |
| Payable against conversion and redemption of units | | - | - | 308,928 | 308,928 |
| Accrued expenses and other liabilities | | - | - | 888 | 888 |
| | | - | - | 320,777 | 320,777 |
| On-balance sheet gap (a) | | 10,125,137 | - | (157,839) | 9,967,298 |
| Off-balance sheet financial instruments | | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 10,125,137 | - | - | - |
| Cumulative profit rate sensitivity gap | | 10,125,137 | 10,125,137 | 10,125,137 | |
| 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) | | | | | |
| Financial assets | | | | | |
| Balances with banks | 2.4% to 6.1% | 3,705,496 | - | 25,209 | 3,730,705 |
| Investments | | - | - | 738,771 | 738,771 |
| Receivable against conversion of units | | - | - | 37,071 | 37,071 |
| Profit accrued | | - | - | 300 | 300 |
| Deposits | | 3,705,496 | - | 801,351 | 4,506,847 |
| Financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | 4,550 | 4,550 |
| Payable to the Central Depository Company of Pakistan Limited Trustee | | - | - | 375 | 375 |
| Payable against conversion and redemption of units | | - | - | 1,096,454 | 1,096,454 |
| Dividend payable | | - | - | 4,552 | 4,552 |
| Accrued expenses and other liabilities | | - | - | 661 | 661 |
| | | - | - | 1,106,592 | 1,106,592 |
| On-balance sheet gap (a) | | 3,705,496 | - | (305,241) | 3,400,255 |
| Off-balance sheet financial instruments | | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - |
| Total profit rate sensitivity gap (a+b) | | 3,705,496 | - | - | - |
| Cumulative profit rate sensitivity gap | | 3,705,496 | 3,705,496 | 3,705,496 | |



(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund, at present is not exposed to price risk as it does not have any investment in equity or debt securities as of 30 June 2018.

20.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement. The maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | Financial instruments with no fixed maturity | Total |
|--|----------------|---|--|--|-------------------|--|------------|
| | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than One year and upto five years | More than 5 years | | |
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Balances with banks | 8,470,637 | - | - | - | - | - | 8,470,637 |
| Investments | 757,000 | 900,000 | - | - | - | - | 1,657,000 |
| Receivable against conversion of units | 86,612 | - | - | - | - | - | 86,612 |
| Profit accrued | 73,526 | - | - | - | - | - | 73,526 |
| Deposits and prepayments | - | - | - | - | - | 300 | 300 |
| | 9,387,775 | 900,000 | - | - | - | 300 | 10,288,075 |





| | | 2018 | | | | | | |
|---|------------------|------------------|---|--|--|-------------------|--|------------------|
| | | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than One year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| | | (Rupees in '000) | | | | | | |
| Financial liabilities | | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 10,198 | - | - | - | - | - | - | 10,198 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 763 | - | - | - | - | - | - | 763 |
| Payable against conversion and redemption of units | 308,928 | - | - | - | - | - | - | 308,928 |
| Accrued expenses and other liabilities | - | 848 | 40 | - | - | - | - | 888 |
| | 319,889 | 848 | 40 | - | - | - | - | 320,777 |
| Net assets / (liabilities) | 9,067,886 | 899,152 | (40) | - | - | - | 300 | 9,967,298 |
| | | 2017 | | | | | | |
| | | Within 1 month | More than one month and upto three months | More than three months and upto one year | More than One year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| | | (Rupees in '000) | | | | | | |
| Financial assets | | | | | | | | |
| Balances with banks | 3,730,705 | - | - | - | - | - | - | 3,730,705 |
| Investments | | | | | | | | |
| Receivable against conversion of units | 738,771 | - | - | - | - | - | - | 738,771 |
| Profit accrued | 37,071 | - | - | - | - | - | - | 37,071 |
| Deposits and prepayments | - | - | - | - | - | - | 300 | 300 |
| | 4,506,547 | | | | | | 300 | 4,506,847 |
| Financial liabilities | | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 4,550 | - | - | - | - | - | - | 4,550 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 375 | - | - | - | - | - | - | 375 |
| Payable against conversion and redemption of units | 1,096,454 | - | - | - | - | - | - | 1,096,454 |
| Dividend payable | 4,552 | - | - | - | - | - | - | 4,552 |
| Accrued expenses and other liabilities | - | 563 | 98 | - | - | - | - | 661 |
| | 1,105,931 | 563 | 98 | - | - | - | - | 1,106,592 |
| Net assets / (liabilities) | 3,400,616 | (563) | (98) | - | - | - | 300 | 3,400,255 |

20.3 Credit risk

20.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed.

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

The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| (Rupees in '000) | | | | |
| Balances with banks | 8,470,637 | 8,470,637 | 3,730,705 | 3,730,705 |
| Investments | 1,657,000 | 1,657,000 | - | - |
| Receivable against conversion of units | 86,612 | 86,612 | 738,771 | 738,771 |
| Profit accrued | 73,526 | 73,526 | 37,071 | 37,071 |
| Deposits and prepayments | 572 | 572 | 596 | 596 |
| | 10,288,347 | 10,288,347 | 4,507,143 | 4,507,143 |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets.

20.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued thereon and receivable against conversion of units and against investments. The credit rating profile of balances with banks and investments is as follows:

| Rating | % of financial assets exposed to credit risk | |
|--------|--|---------------|
| | 2018 | 2017 |
| AAA | 54.48 | 71.66 |
| AA+ | 19.35 | 0.27 |
| AA | 26.17 | 28.07 |
| | 100.00 | 100.00 |

20.3.3 Concentration of credit risk

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

All financial assets of the Fund as at June 30, 2018 are unsecured and are not impaired

21. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.



Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund does not hold financial assets which required fair valuation.

22. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirements of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

23. UNIT HOLDING PATTERN OF THE FUND

| Category | 2018 | | | 2017 | | |
|---------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Individuals | 6,902 | 4,224,512 | 42.58 | 3,367 | 1,767,544 | 52.76 |
| Associated Companies / | | | | | | |
| Directors | 15 | 4,472,648 | 45.08 | 9 | 782,853 | 23.37 |
| Insurance Companies | 9 | 124,484 | 1.25 | 10 | 85,851 | 2.56 |
| Banks and DFIs | 1 | 10 | 0.00 | 1 | 9 | 0.00 |
| Retirement Funds | 45 | 206,059 | 2.08 | 29 | 99,768 | 2.98 |
| Private Limited Companies | 20 | 243,921 | 2.46 | 20 | 256,837 | 7.67 |
| Others | 46 | 649,318 | 6.55 | 26 | 357,532 | 10.66 |
| | 7,038 | 9,920,952 | 100.00% | 3,462 | 3,350,394 | 100.00% |

25. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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

25.1 The Fund manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund; and
- Meezan Sovereign Fund

26. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | | | | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | |
| Ms. Saima Kamila Khan ** | Director | | | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | | | |
| Mazhar Sharif *** | Director | Yes | Yes | | | |
| Mr. Naeem Sattar *** | Director | | | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.





27. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

28. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The Board of Directors of the Management Company in the meeting held on July 06, 2018 approved a final cash dividend of Rs Rs. 2.1649 per unit (2017: Rs 2.2500 per unit) on the face value of Rs 50 each (i.e.4.33%) amounting to Rs 178.01 million (2017: Rs 179.35 million) . The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

30. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**

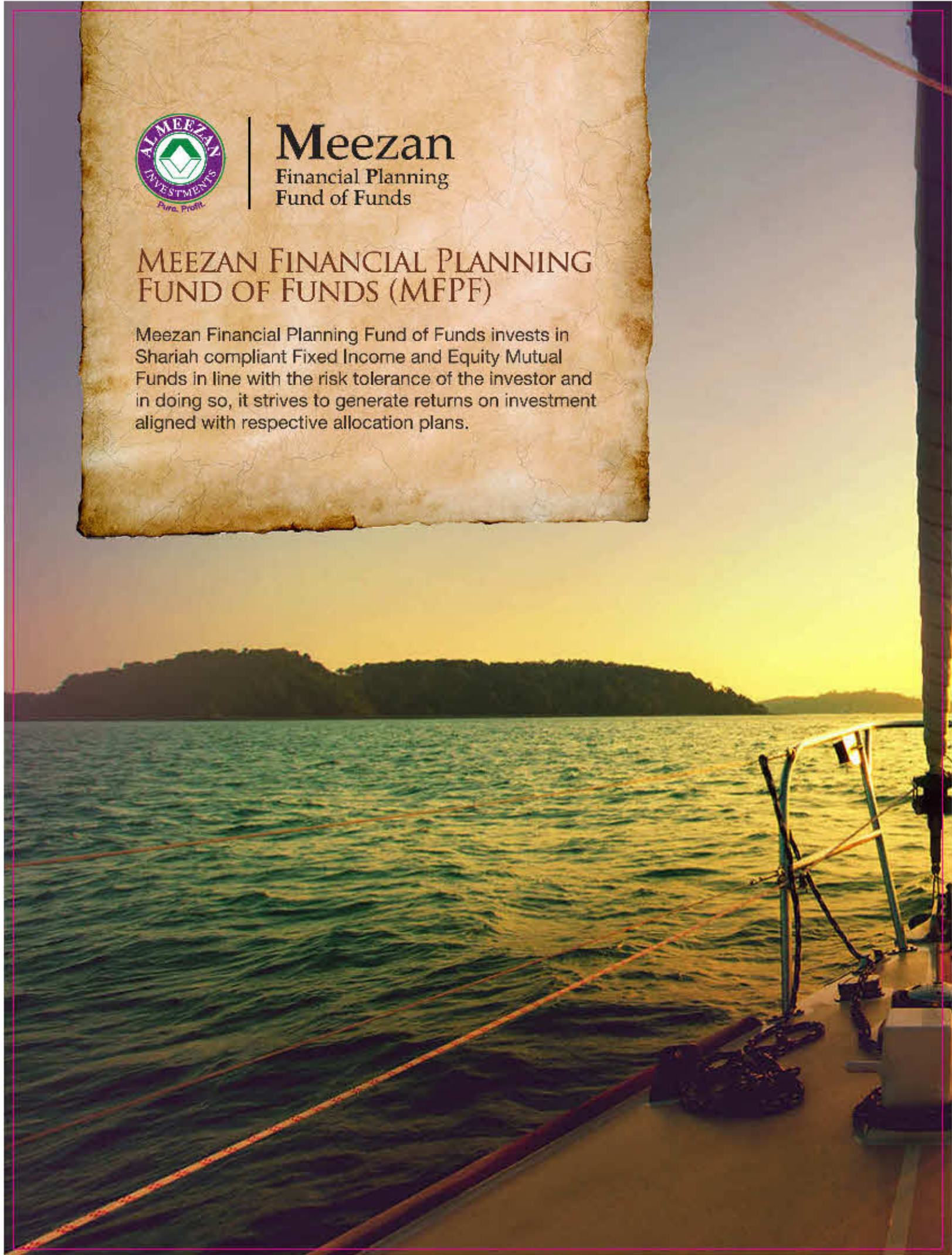


Meezan

Financial Planning
Fund of Funds

MEEZAN FINANCIAL PLANNING FUND OF FUNDS (MFPF)

Meezan Financial Planning Fund of Funds invests in Shariah compliant Fixed Income and Equity Mutual Funds in line with the risk tolerance of the investor and in doing so, it strives to generate returns on investment aligned with respective allocation plans.





FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan.
Phone: (9221) 35630722-6, 111-MEEZAN
Fax: (9221) 35678143, 35630808
Website: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoab, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | 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

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Dubai Islamic Bank Pakistan Limited
Habib Metropolitan Bank Limited - Islamic Banking
Meezan Bank Limited
Bankislami Pakistan Limited

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER

FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

Type of Fund

Open-end Shariah Compliant (Islamic) Fund of Funds Scheme.

Objective

The fund aims to generate returns on Investments as per respective Allocation Plans by investing in Shariah Compliant Fixed Income and Equity Mutual Funds in line with risk/return preference of the investor.

Strategy and Investment Policy

MFPF has five Allocation Plans which allow investors to invest according to their risk tolerance levels.

The Aggressive Allocation Plan

This Allocation Plan is suitable for Investors having a relatively higher risk tolerance and/or wish to save for long term. It shall invest at least 65% of its net assets in Shariah Compliant Equity Funds, while the remaining portion is allocated to Shariah Compliant Fixed Income Funds.

The Moderate Allocation Plan

This Allocation Plan is suitable for Investors having a relatively moderate risk tolerance and/or wish to save for medium to long term. It shall invest at least 45% of its net assets in Shariah Compliant Equity Funds, while the remaining portion is allocated to Shariah Compliant Fixed Income Funds

The Conservative Allocation Plan

This Allocation Plan is suitable for Investors having a relatively low risk tolerance and/or wish to save for short to medium term. It shall invest at least 20% of its net assets in Shariah Compliant Equity Funds, while the remaining portion is allocated to Shariah Compliant Fixed Income Funds.

Meezan Asset Allocation Plans - I & IV (MAAP I & IV)

These are closed end Plans which are suitable for Investors having a relatively moderate risk tolerance and/or wish to earn a relatively higher return over the medium term. These can switch exposure between Shariah compliant equity and fixed income mutual funds without any minimum or maximum limits, subject to expectations regarding the market performance.

In line with these different allocation plans, the benchmarks are also a combination of KSE Meezan Index 30's performance and average 6 month Islamic bank deposits as per the following detail:

| | |
|---|--|
| Aggressive Allocation Plan | Weighted avg. return of KMI 30 Index and Fixed Income/ Money Market Scheme as per actual allocation. |
| Moderate Allocation Plan | |
| Conservative Allocation Plan | |
| Meezan Asset Allocation Plan - I Meezan Asset Allocation Plan - IV | |

Performance Table with Benchmark

| | Returns - FY18 |
|------------------------------|----------------|
| MFPF - Aggressive | -11.96% |
| Benchmark | -6.43% |
| MFPF - Moderate | -6.81% |
| Benchmark | -3.25% |
| MFPF - Conservative | -1.60% |
| Benchmark | -0.31% |
| MFPF - MAAP Ia | -6.11% |
| Benchmark | -4.68% |
| MFPF - MAAP IV ^{##} | -13.83% |
| Benchmark | -7.08% |

[#] The Plan was launched on July 10, 2015

^{##} The Plan was launched on May 23, 2016

Aggressive Allocation Plan

The Aggressive Allocation Plan posted a total loss of Rs. 70 million in FY18 as compared to a total income of Rs. 88 million last year. Total loss comprised of realized and unrealized loss on investments of Rs. 9 million and Rs. 62 million respectively. After accounting for expenses of Rs. 2 million, the Fund posted a net loss of Rs. 72 million. The net assets of the Fund as at June 30, 2018 were Rs. 497 million as compared to Rs. 622 million at the end of last year depicting a decline of 20.10%.

Moderate Allocation Plan

The Moderate Allocation Plan posted a total loss of Rs. 26 million in FY18 as compared to a total income of Rs. 73 million last year. Total loss comprised of realized and unrealized loss on investments of Rs. 7 million and Rs. 18 million respectively. After accounting for expenses of Rs. 1 million, the Fund posted a net loss of Rs. 27 million. The net assets of the Fund as at June 30, 2018 were Rs. 309 million as compared to Rs. 408 million at the end of last year depicting a decline of 24.26%.

Conservative Allocation Plan

The Conservative Allocation Plan posted a total loss of Rs. 6 million in FY18 as compared to a total income of Rs. 46 million last year. Total loss comprised of realized and unrealized loss on investments of Rs. 3 million each. After accounting for expenses of Rs. 1 million, the Fund posted a net loss of Rs. 7 million. The net assets of the Fund as at June 30, 2018 were Rs. 290 million as compared to Rs. 413 million at the end of last year depicting a decline of 29.78%.





Meezan Asset Allocation Plan - I (MAAP-I)

Meezan Asset Allocation Plan-I posted a total loss of Rs. 62 million during FY18. Total loss comprised of realized and unrealized loss on investments of Rs. 53 million and Rs. 10 million respectively while back end load income contributed Rs. 0.245 million to the income. After accounting for expenses of Rs. 3 million, the Fund posted a net loss of Rs. 65 million. The net assets of the Fund as at June 30, 2018 were Rs. 829 million as compared to Rs. 1,251 million at the end of last year depicting a decrease of 33.73%.

Meezan Asset Allocation Plan - II (MAAP-II)

Meezan Asset Allocation Plan-II posted a total loss of Rs. 135 million from July 01, 2017 to January 11, 2018. Total loss comprised of realized loss on investments of Rs. 135 million. After accounting for expenses of Rs. 1 million, the Fund posted a net loss of Rs. 136 million. The net assets of the Fund as at January 11, 2018 were Rs. 690 million as compared to Rs. 978 million at the end of last year i.e. June 30, 2017 depicting a decline of 29.44%.

Meezan Asset Allocation Plan - III (MAAP-III)

Meezan Asset Allocation Plan-III posted a total loss of Rs. 355 million from July 01, 2017 to March 30, 2018. Total loss comprised of realized loss on investments of Rs. 356 million. After accounting for expenses of Rs. 6 million, the Fund posted a net loss of Rs. 361 million. The net assets of the Fund as at March 30, 2018 were Rs. 2,190 million as compared to Rs. 2,923 million at the end of last year i.e. June 30, 2017 depicting a decline of 25.07%.

Meezan Asset Allocation Plan - IV (MAAP-IV)

Meezan Asset Allocation Plan-IV posted a total loss of Rs. 99 million during FY18. Total loss comprised of realized and unrealized loss on investments Rs. 50 million and Rs. 49 million respectively while back end load income contributed Rs. 0.032 million to the income. After accounting for expenses of Rs. 2 million, the Fund posted a net loss of Rs. 101 million. The net assets of the Fund as at June 30, 2018 were Rs. 508 million as compared to Rs. 860 million at the end of last year depicting a decline of 40.93%.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.

Breakdown of unit holdings by size

(As on June 30, 2018)

| Breakdown of unit holdings by size | | | | | | | |
|------------------------------------|------------------|------------|--------------|------------|----------|----------|------------|
| Range (Units) | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV |
| | No. of investors | | | | | | |
| 1 - 9,999 | 511 | 300 | 238 | 190 | | | 55 |
| 10,000 - 49,999 | 50 | 63 | 60 | 108 | - | - | 71 |
| 50,000 - 99,999 | 5 | 7 | 11 | 15 | | | 19 |
| 100,000 - 499,999 | 3 | 7 | 7 | 13 | - | - | 14 |
| 500,000 and above | 4 | 1 | 1 | 4 | - | - | 3 |
| Total | 573 | 378 | 317 | 330 | - | - | 162 |



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor – Meezan Financial Planning Fund of Funds

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

Alhamdulillah, the period from July 01, 2017 to June 30, 2018 was the sixth year of operations of Meezan Financial Planning Fund of Funds (MFPPFOF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 6.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

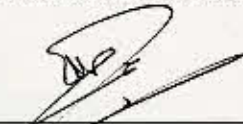
In the capacity of *Shari'ah* Advisor, we have prescribed criteria and procedure to be followed in ensuring *Shari'ah* compliance in every investment.

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MFPPFOF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MFPPFOF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MFPPFOF for the year ended June 30, 2018 have been in compliance with *Shari'ah* principles.

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



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

Meezan Bank Ltd.

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Tel : (92-21) 38103500, Fax : (92-21) 36406049 www.meezanbank.com





**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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Tel: (92-21) 111-111-500
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Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN FINANCIAL PLANNING FUND OF FUNDS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Financial Planning Fund of Funds (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018.





INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Financial Planning Fund of Funds

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Financial Planning Fund of Funds (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the period/year ended January 11, 2018, March 30, 2018 and June 30, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the period/year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|---|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.11 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.</p> |

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>





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| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|---|
| | <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.11.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 2.436 billion.</p> <p>The proper valuation of investments for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of the key controls for valuation of investments; • Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and • Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

Ali





In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation





Meezan
Financial Planning
Fund of Funds

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precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the period/year ended October 27, 2016, March 24, 2017 and June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.

Alf Ferguson
Chartered Accountants
Karachi

Date: September 19, 2018

STATEMENT OF ASSETS AND LIABILITIES

AS AT JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

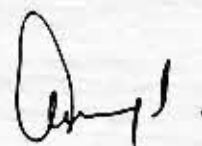
| Note | As at June 30, 2018 | | | | | | As at January 11, 2018 | As at March 30, 2018 | |
|---|---------------------|------------------|------------------|----------------------------|-------------------|-------------------|------------------------------|----------------------------|-------------------|
| | Aggressive | Moderate | Conservative | MAAP-I (Rupees in '000) | MAAP-IV | Total | MAAP-II | MAAP-III | |
| Assets | | | | | | | | | |
| Balances with banks | 4 | 3,899 | 2,965 | 9,841 | 5,204 | 2,932 | 24,841 | 3,037 | 8,715 |
| Investments | 5 | 497,702 | 309,708 | 282,881 | 835,526 | 510,146 | 2,435,963 | - | - |
| Receivable against conversion of units | | 1 | 13 | 56 | - | - | 70 | - | - |
| Receivable against sale of investments - net | | - | - | - | - | 5,000 | 5,000 | 707,643 | 2,223,711 |
| Profit accrued on balances with banks | | 4 | 19 | 14 | 12 | 49 | 98 | 136 | 607 |
| Total assets | | 501,606 | 312,705 | 292,792 | 840,742 | 518,127 | 2,465,972 | 710,816 | 2,233,033 |
| Liabilities | | | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 7 | 62 | 65 | 49 | 74 | 45 | 295 | 23 | 190 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 8 | 44 | 25 | 31 | 64 | 43 | 207 | 19 | 166 |
| Payable to Meezan Bank Limited | | 2 | 15 | 1 | - | - | 18 | - | - |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 518 | 324 | 316 | 882 | 600 | 2,640 | 430 | 1,739 |
| Payable on redemption and conversion of units | | 184 | 289 | 143 | - | 4,232 | 4,848 | 11,097 | 10,698 |
| Accrued expenses and other liabilities | 10 | 4,009 | 2,892 | 1,784 | 10,808 | 5,470 | 24,963 | 9,247 | 30,089 |
| Total liabilities | | 4,819 | 3,610 | 2,324 | 11,828 | 10,390 | 32,971 | 20,816 | 42,882 |
| Net assets | | 496,787 | 309,095 | 290,468 | 828,914 | 507,737 | 2,433,001 | 690,000 | 2,190,151 |
| Unit holders' fund (as per statement attached) | | 496,787 | 309,095 | 290,468 | 828,914 | 507,737 | 2,433,001 | 690,000 | 2,190,151 |
| Contingencies and commitments | 11 | | | | | | | | |
| ----- (Number of units) ----- | | | | | | | | | |
| Number of units in issue | | 7,068,186 | 4,604,291 | 4,450,352 | 14,144,960 | 10,826,249 | | 13,799,997 | 43,803,025 |
| ----- (Rupees) ----- | | | | | | | | | |
| Net assets value per unit | | 70.2849 | 67.1319 | 65.2685 | 58.6014 | 46.8987 | | 50.0000 | 50.0000 |

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

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**





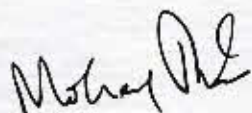
STATEMENT OF ASSETS AND LIABILITIES

AS AT JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

| Note | As at June 30, 2017 | | | | | | | | As at October 27, 2016 | As at March 24, 2017 | |
|---|---------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------------------|----------------------------|------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPPI | MCPPII | |
| Assets | | | | | | | | | | | |
| Balances with banks | 4 | 12,939 | 6,239 | 2,634 | 2,009 | 5,981 | 12,981 | 2,670 | 45,453 | 1,676,547 | 3,368,527 |
| Investments | 5 | 628,262 | 409,094 | 408,081 | 1,266,548 | 990,376 | 2,956,838 | 866,849 | 7,526,048 | - | - |
| Preliminary expenses and floatation cost | 6 | - | - | 157 | - | - | - | - | 157 | - | - |
| Receivable against conversion of units | | 3 | - | 2,123 | - | - | - | - | 2,126 | - | - |
| Receivable against sale of investments - net | | 5,000 | 33,875 | 19,000 | - | 5,700 | 24,700 | - | 88,275 | - | - |
| Profit receivable on saving accounts with banks | | 2 | 24 | 24 | 18 | 5 | 90 | 49 | 212 | 742 | 595 |
| Total assets | | 646,206 | 449,232 | 432,019 | 1,268,575 | 1,002,062 | 2,994,609 | 869,568 | 7,662,271 | 1,677,289 | 3,369,122 |
| Liabilities | | | | | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 7 | 106 | 42 | 165 | 113 | 86 | 264 | 76 | 852 | 183 | 258 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 8 | 54 | 32 | 38 | 95 | 73 | 220 | 64 | 576 | 107 | 191 |
| Payable to Meezan Bank Limited | | 3 | - | - | - | - | - | - | 3 | - | - |
| Payable to the Securities and Exchange Commission of Pakistan | 9 | 601 | 477 | 421 | 1,330 | 982 | 3,003 | 892 | 7,706 | 509 | 2,220 |
| Payable on redemption and conversion of units | | 12,138 | 35,568 | 16,013 | 300 | 11,103 | 35,438 | 123 | 110,683 | - | - |
| Dividend payable | | 298 | 900 | 63 | - | - | - | - | 1,261 | - | - |
| Accrued expenses and other liabilities | 10 | 10,872 | 4,404 | 1,922 | 15,425 | 11,841 | 33,143 | 8,169 | 85,776 | 19,780 | 42,321 |
| Total liabilities | | 24,072 | 41,423 | 18,622 | 17,263 | 24,085 | 72,068 | 9,324 | 206,857 | 20,579 | 44,990 |
| Net assets | | 622,134 | 407,809 | 413,397 | 1,251,312 | 977,977 | 2,922,541 | 860,244 | 7,455,414 | 1,656,710 | 3,324,132 |
| Unitholders' fund (as per statement attached) | | 622,134 | 407,809 | 413,397 | 1,251,312 | 977,977 | 2,922,541 | 860,244 | 7,455,414 | 1,656,710 | 3,324,132 |
| Contingencies and commitments | | | | | | | | | | | |
| (Number of units) | | | | | | | | | | | |
| Number of units in issue | | 7,792,766 | 5,860,927 | 6,232,476 | 20,048,269 | 15,671,463 | 47,233,009 | 15,806,163 | 33,134,195 | 66,482,548 | |
| (Rupees) | | | | | | | | | | | |
| Net assets value per unit | | 79.8300 | 72.0400 | 66.3300 | 62.4100 | 62.4000 | 61.8700 | 54.4200 | 50.0000 | 50.0000 | |

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

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


Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


INCOME STATEMENT

FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

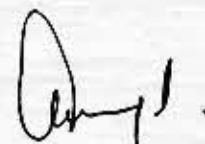
| Note | For the period ended June 30, 2018 | | | | | | From July 01, 2017 to January 11, 2018 | From July 01, 2017 to March 30, 2018 |
|---|------------------------------------|-----------------|----------------|-----------------|------------------|------------------|--|--|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-I | MAAP-II |
| Income | | | | | | | | |
| Profit on balances with banks | 193 | 106 | 170 | 450 | 48 | 967 | 184 | 711 |
| | 193 | 106 | 170 | 450 | 48 | 967 | 184 | 711 |
| Loss on sale of investments | (8,761) | (7,491) | (3,325) | (52,989) | (50,439) | (123,005) | (134,973) | (355,667) |
| Back end load income | - | - | - | 245 | 32 | 277 | 9 | - |
| Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.1 (61,900) | (18,296) | (2,675) | (9,713) | (48,845) | (141,429) | - | - |
| Total Loss | (70,468) | (25,681) | (5,830) | (62,007) | (99,204) | (263,190) | (134,780) | (354,956) |
| Expenses | | | | | | | | |
| Remuneration of Al Meezan Investment Management Limited Management Company | 7.1 103 | 69 | 106 | 248 | 35 | 561 | 21 | 98 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 13 | 9 | 14 | 32 | 5 | 73 | 3 | 12 |
| Allocated expenses | 7.3 546 | 341 | 333 | 929 | 631 | 2,780 | 452 | 1,830 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 8.1 440 | 275 | 268 | 748 | 510 | 2,241 | 357 | 1,451 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 57 | 36 | 35 | 97 | 66 | 291 | 46 | 189 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 9 518 | 324 | 316 | 882 | 600 | 2,640 | 430 | 1,739 |
| Auditors' remuneration | 13 65 | 41 | 40 | 110 | 75 | 331 | 43 | 160 |
| Fees and subscription | 35 | 22 | 22 | 60 | 39 | 178 | 23 | 94 |
| Amortisation of preliminary expenses and floatation costs | 6 - | - | 157 | - | - | 157 | - | - |
| Transaction cost | 12 - | - | - | 162 | - | 162 | - | - |
| Legal and Professional charges | 5 | 3 | 3 | 9 | 6 | 26 | - | 23 |
| Bank and settlement charges | 13 | 10 | 15 | 12 | 11 | 61 | 7 | 16 |
| Printing expenses | 55 | 32 | 32 | 95 | 65 | 279 | 52 | 180 |
| Total expenses | 1,850 | 1,162 | 1,341 | 3,384 | 2,043 | 9,780 | 1,434 | 5,792 |
| Net loss from operating activities | (72,318) | (26,843) | (7,171) | (65,391) | (101,247) | (272,970) | (136,214) | (360,748) |
| Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net | - | - | - | - | - | - | - | - |
| Net loss for the year / period before taxation | (72,318) | (26,843) | (7,171) | (65,391) | (101,247) | (272,970) | (136,214) | (360,748) |
| Taxation | 15 - | - | - | - | - | - | - | - |
| Net loss for the year / period after taxation | (72,318) | (26,843) | (7,171) | (65,391) | (101,247) | (272,970) | (136,214) | (360,748) |

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

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**




INCOME STATEMENT

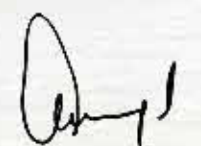
FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

| Note | For the period ended June 30, 2017 | | | | | | | From July 01, 2016 to October 27, 2016 | From July 01, 2016 to March 24, 2017 | |
|---|------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|--|--------------------------------------|----------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | | |
| Income | | | | | | | | | | |
| Dividend income | 36,915 | 24,421 | 22,002 | 80,738 | 59,138 | 171,867 | 50,871 | 445,952 | | |
| Profit on balances with banks | 389 | 497 | 406 | 171 | 276 | 302 | 326 | 2,367 | 799 | 704 |
| Reversal of provision of Workers' Welfare Fund | 2,694 | 1,745 | 1,452 | | | | | 5,891 | | 282 |
| Other income | 36 | 20 | | 7 | | 5 | | 68 | 81 | |
| | 40,034 | 26,683 | 23,860 | 80,916 | 59,414 | 172,174 | 51,197 | 454,278 | 880 | 986 |
| Gain on sale of investments | 60,117 | 53,461 | 35,369 | 73,697 | 37,497 | 98,922 | 31,131 | 390,194 | 97,417 | 395,448 |
| Back end load income | - | - | - | 523 | 132 | 3,443 | 5,142 | 9,240 | 143 | 3,576 |
| Net unrealised (diminution) / appreciation on re measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.1 (12,553) | (7,158) | (13,146) | 93,510 | 82,985 | 271,498 | 64,423 | 479,559 | - | - |
| Total income | 87,598 | 72,986 | 46,083 | 248,646 | 180,028 | 546,037 | 151,893 | 1,333,271 | 98,440 | 400,010 |
| Expenses | | | | | | | | | | |
| Remuneration of A. Meezan Investment Management Limited Management Company | 7.1 187 | 171 | 156 | 66 | 110 | 130 | 114 | 934 | 83 | 93 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 24 | 22 | 20 | 9 | 14 | 17 | 15 | 121 | 11 | 12 |
| Allocated expenses | 7.3 633 | 502 | 443 | 1,399 | 1,033 | 3,160 | 939 | 8,109 | 535 | 2,337 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 8.1 489 | 388 | 343 | 1,082 | 799 | 2,444 | 726 | 6,271 | 413 | 1,801 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 64 | 50 | 45 | 141 | 104 | 318 | 94 | 816 | 54 | 234 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 9 601 | 477 | 421 | 1,330 | 982 | 3,003 | 892 | 7,706 | 509 | 2,220 |
| Auditors' remuneration | 13 28 | 24 | 19 | 68 | 48 | 141 | 47 | 375 | 28 | 128 |
| Fees and subscription | 18 | 15 | 13 | 42 | 31 | 96 | 26 | 241 | 19 | 65 |
| Amortisation of preliminary expenses and floatation costs | 6 | | 200 | | | | | 200 | | |
| Transaction cost | 12 | | | 75 | | | | 75 | | |
| Legal and professional charges | 4 | 4 | 3 | 13 | 9 | 29 | 5 | 67 | 5 | 31 |
| Bank and settlement charges | 9 | 7 | 5 | 4 | 4 | | 10 | 39 | | |
| Printing expenses | 20 | 16 | 14 | 51 | 36 | 115 | 24 | 276 | 60 | 114 |
| Provision for Sindh Workers' Welfare Fund | 3,380 | 1,916 | 1,214 | 6,886 | 5,615 | 16,339 | 2,621 | 37,971 | - | 13,681 |
| Total expenses | 5,457 | 3,592 | 2,896 | 11,166 | 8,785 | 25,792 | 5,513 | 63,201 | 1,717 | 20,716 |
| Net income from operating activities | 82,141 | 69,394 | 43,187 | 237,480 | 171,243 | 520,245 | 146,380 | 1,270,070 | 96,723 | 379,294 |
| Element of income / (loss) and capita gains / (losses) included in prices of units issued less those in units redeemed-net | 12,260 | (20,263) | (6,301) | (34,250) | (17,091) | (62,394) | (17,966) | (146,005) | (27,599) | (8,800) |
| Net income for the year / period before taxation | 94,401 | 49,131 | 36,886 | 203,230 | 154,152 | 457,851 | 128,414 | 1,124,065 | 69,124 | 370,494 |
| Taxation | 15 | | | | | | | | | |
| Net income for the year / period after taxation | 94,401 | 49,131 | 36,886 | 203,230 | 154,152 | 457,851 | 128,414 | 1,124,065 | 69,124 | 370,494 |

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

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


Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

| | For the period ended June 30, 2018 | | | | | | From July 01, 2017 to January 11, 2018 | From July 01, 2017 to March 30, 2018 |
|--|------------------------------------|-----------------|----------------|-----------------|------------------|------------------|--|--|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-II | MAAP-III |
| | (Rupees in '000) | | | | | | | |
| Net loss for the year / period after taxation | (72,318) | (26,843) | (7,171) | (65,391) | (101,247) | (272,970) | (136,214) | (360,748) |
| Other comprehensive income / (loss) for the period / year | - | - | - | - | - | - | - | - |
| Total comprehensive (loss) / income for the year / period | (72,318) | (26,843) | (7,171) | (65,391) | (101,247) | (272,970) | (136,214) | (360,748) |

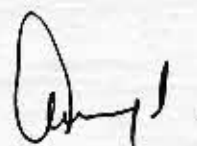
| | For the period ended June 30, 2017 | | | | | | | From July 01, 2016 to October 27, 2016 | From July 01, 2016 to March 24, 2017 | |
|---|------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|--|--|----------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | | |
| Net income for the period / year after taxation | 94,401 | 49,131 | 36,886 | 203,230 | 154,152 | 457,851 | 128,414 | 1,124,065 | 69,124 | 370,494 |
| Other comprehensive income for the period / year | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year / period | 94,401 | 49,131 | 36,886 | 203,230 | 154,152 | 457,851 | 128,414 | 1,124,065 | 69,124 | 370,494 |

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

For Al Meezan Investment Management Limited
(Management Company)



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS

FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

| | June 30, 2018 Aggressive (Rupees '000) | | | June 30, 2018 Moderate (Rupees '000) | | | June 30, 2018 Conservative (Rupees '000) | | | June 30, 2018 MAAF (Rupees '000) | | | | | |
|--|--|----------------------|---|--|----------------------|---|--|---------------|----------------------|---|---------|---------------|----------------------|---|-----------|
| | Capital Value | Undistributed Income | Unrealized Appreciation Available for sale / Income | Capital Value | Undistributed Income | Unrealized Appreciation Available for sale / Income | Total | Capital Value | Undistributed Income | Unrealized Appreciation Available for sale / Income | Total | Capital Value | Undistributed Income | Unrealized Appreciation Available for sale / Income | Total |
| Net assets at beginning of the period | 447,919 | 174,215 | - | 622,134 | 298,428 | 109,381 | 407,809 | 325,714 | 87,683 | - | 413,397 | 987,898 | 263,414 | - | 1,251,312 |
| Issuance of units: | | | | | | | | | | | | | | | |
| - Aggressive: 5,216,657 units / Moderate: 2,835,965 units / Conservative: 4,442,289 units / MAAF: 1,6618,794 units | 416,430 | - | - | 416,430 | 204,302 | - | 204,302 | 294,657 | - | - | 294,657 | 413,079 | - | - | 413,079 |
| - Element of loss | (26,409) | - | - | (26,409) | (4,581) | - | (4,581) | (2,068) | - | - | (2,068) | (19,668) | - | - | (19,668) |
| Total proceeds on issuance of units | 390,021 | - | - | 390,021 | 199,721 | - | 199,721 | 292,589 | - | - | 292,589 | 393,411 | - | - | 393,411 |
| Redemption of units: | | | | | | | | | | | | | | | |
| - Aggressive: 5,941,035 units / Moderate: 3,892,591 units / Conservative: 6,224,413 units / MAAF: 12,522,105 units / MAAF II: 2,752,168 units / MAAF III: 6,626,975 units / MAAF IV: 4,979,973 units | 474,273 | - | - | 474,273 | 280,422 | - | 280,422 | 412,865 | - | - | 412,865 | 782,335 | - | - | 782,335 |
| - Capital value (at net asset value per unit at the beginning of the period) Amount paid out or element of income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Relating to 'Net income for the period after taxation' Relating to 'Other comprehensive income for the period' | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Adjustment on units as element of income | (31,223) | - | - | (31,223) | (8,830) | - | (8,830) | (4,518) | - | - | (4,518) | (31,917) | - | - | (31,917) |
| Total payments on redemption of units | 443,050 | - | - | 443,050 | 271,592 | - | 271,592 | 408,347 | - | - | 408,347 | 750,418 | - | - | 750,418 |
| Total comprehensive loss for the year / period | (72,318) | - | - | (72,318) | (26,843) | - | (26,843) | - | (7,171) | - | (7,171) | (65,391) | - | - | (65,391) |
| Distribution during the period | (72,318) | - | - | (72,318) | (26,843) | - | (26,843) | - | (7,171) | - | (7,171) | (65,391) | - | - | (65,391) |
| Net loss for the period less distribution | 394,890 | 101,897 | - | 496,787 | 226,557 | 82,538 | 309,095 | 209,956 | 80,512 | - | 290,468 | 630,991 | 196,023 | - | 828,914 |
| Unrealized income carried forward | 163,797 | - | - | 163,797 | 100,834 | - | 100,834 | 83,187 | - | - | 83,187 | 207,736 | - | - | 207,736 |
| - Realized income | (61,900) | - | - | (61,900) | (18,296) | - | (18,296) | (2,675) | - | - | (2,675) | (9,713) | - | - | (9,713) |
| Unrealized loss | 101,897 | - | - | 101,897 | 82,538 | - | 82,538 | 80,512 | - | - | 80,512 | 196,023 | - | - | 196,023 |
| Accounting income available for distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Relating to capital gains | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Excluding capital gains | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net asset value per unit as at beginning of the period | | | | | | | | | | | | | | | |
| Net asset value per unit as at end of the period | | | | | | | | | | | | | | | |
| | Rupees | | | Rupees | | | Rupees | | | | Rupees | | | | Rupees |
| | 79,830 | | | 72,040 | | | 72,040 | | | | 66,390 | | | | 62,410 |
| | 70,284 | | | 67,131 | | | 67,131 | | | | 65,268 | | | | 58,604 |

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

Mohammad Shoib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director



Meezan
Financial Planning
Fund of Funds

For Al Meezan Investment Management Limited
(Management Company)

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

| | For the period from 11-Jan-2018 to 11-Jan-2018 | | | | For the period from 31-Mar-2018 to 31-Mar-2018 | | | | For the period from 30-Jun-2018 to 30-Jun-2018 | | | |
|--|--|----------------------|----------|--|--|----------------------|---------|--|--|----------------------|---------|--|
| | Capital Value | Undistributed Income | Total | Unrealised appreciation / available for sale investments | Capital Value | Undistributed Income | Total | Unrealised appreciation / available for sale investments | Capital Value | Undistributed Income | Total | Unrealised appreciation / available for sale investments |
| Net assets at beginning of the period | 782,692 | 77,552 | 860,244 | 2,842,651 | 712,245 | 3,554,896 | 777,741 | 200,236 | 977,977 | 2,339,353 | 583,188 | 2,922,541 |
| Issuance of units: | | | | | | | | | | | | |
| - Aggressive: 5,216,457 units / Moderate: 2,835,955 units / Conservative: 4,442,289 units / MAAP I: 6,618,794 units | - | - | - | - | - | - | - | - | - | - | - | - |
| - MAAP II: 980,703 bonus units / MAAP III: 3,196,991 Bonus units | - | - | - | - | - | - | - | - | - | - | - | - |
| - Capital value (at net asset value per unit at the beginning of the period) | - | - | - | - | - | - | - | - | - | - | - | - |
| - Element of loss | - | - | - | - | - | - | - | - | - | - | - | - |
| - Total proceeds on issuance of units | - | - | - | - | - | - | - | - | - | - | - | - |
| Redemption of units: | | | | | | | | | | | | |
| - Aggressive: 5,941,435 units / Moderate: 3,892,591 units / Conservative: 6,224,413 units / MAAP I: 12,522,103 units / MAAP II: 2,752,168 units / MAAP III: 6,606,975 units / MAAP IV: 4,979,912 units | - | - | - | - | - | - | - | - | - | - | - | - |
| - Capital value (at net asset value per unit at the beginning of the period) | - | - | - | - | - | - | - | - | - | - | - | - |
| - Amount paid out of element of income | - | - | - | - | - | - | - | - | - | - | - | - |
| - Relating to 'Net income for the period after taxation' | - | - | - | - | - | - | - | - | - | - | - | - |
| - Relating to 'Other comprehensive income for the period' | - | - | - | - | - | - | - | - | - | - | - | - |
| - Adjustment on units as element of income | - | - | - | - | - | - | - | - | - | - | - | - |
| - Total payments on redemption of units | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive loss for the year / period | - | - | - | - | - | - | - | - | - | - | - | - |
| Distribution during the period | - | - | - | - | - | - | - | - | - | - | - | - |
| Net loss for the period less distribution | - | - | - | - | - | - | - | - | - | - | - | - |
| Net assets at end of the period | 531,432 | (23,695) | 507,737 | 1,993,726 | 439,275 | 2,433,001 | 671,677 | 18,323 | 690,000 | 2,134,005 | 56,146 | 2,190,151 |
| Undistributed (loss) / Income carried forward | 25,150 | (48,845) | (23,695) | 590,704 | (141,429) | 439,275 | 18,323 | 18,323 | 56,146 | 56,146 | - | - |
| Realised income | - | - | - | - | - | - | - | - | - | - | - | - |
| - Unrealised loss | - | - | - | - | - | - | - | - | - | - | - | - |
| Accounting income available for distribution | - | - | - | - | - | - | - | - | - | - | - | - |
| - Relating to capital gains | - | - | - | - | - | - | - | - | - | - | - | - |
| - Excluding capital gains | - | - | - | - | - | - | - | - | - | - | - | - |
| Net asset value per unit as at beginning of the period | | | | | | | | | | | | |
| Net asset value per unit as at end of the period | | | | | | | | | | | | |

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

Mohammad Shoaib, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)

Syed Amir Ali Zaidi
Director



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS

FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

| | For the period / year ended June 30, 2017 | | | | | | | From July 01, 2016 to October 27, 2016 | From July 01, 2016 to March 24, 2017 | |
|--|---|-----------------|----------------|------------------|-----------------|------------------|-----------------|--|--------------------------------------|------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCCP-I | MCCP-II |
| Capital value | 319,062 | 295,265 | 273,997 | 1,113,514 | 881,535 | 2,755,602 | 451,666 | 6,090,641 | 1,362,934 | 3,051,957 |
| Undistributed income / (loss) carried forward | | | | | | | | | | |
| - Realised income / (loss) | 107,345 | 66,828 | 56,767 | 120,478 | 24,832 | 20,488 | 16,973 | 413,711 | 41,877 | (5,726) |
| - Unrealised income / (loss) | 16,462 | 4,508 | (4,108) | 43,914 | 18,860 | 74,917 | 63,294 | 217,847 | 170,835 | (11,597) |
| Net assets at beginning of the period | <u>442,869</u> | <u>366,601</u> | <u>326,656</u> | <u>1,277,906</u> | <u>925,227</u> | <u>2,851,007</u> | <u>531,933</u> | <u>6,722,199</u> | <u>1,575,646</u> | <u>3,034,634</u> |
| Issuance of units: | | | | | | | | | | |
| Aggressive: 12,824,546 units, | 1,091,766 | - | - | - | - | - | - | 1,091,766 | - | - |
| Moderate: 13,262,944 units, | - | 956,130 | - | - | - | - | - | 956,130 | - | - |
| Conservative: 14,095,403 units | - | - | 913,318 | - | - | - | - | - | - | - |
| MAAP : 485,751 units, | - | - | - | 26,245 | - | - | - | - | - | - |
| MCCP I: 8,375,613 Bonus units, | - | - | - | - | - | - | - | 939,563 | - | 418,781 |
| MAAP I: 478,918 units | - | - | - | - | 26,221 | - | - | 26,221 | - | - |
| MAAP I: 1,246,110 units | - | - | - | - | - | 67,327 | - | 67,327 | - | - |
| MAAP V: 8,512,385 units | - | - | - | - | - | - | 427,552 | 427,552 | - | - |
| MCCP I: 5,121,753 bonus units, | - | - | - | - | - | - | - | - | 256,087 | - |
| Total proceeds on issuance of units | <u>1,091,766</u> | <u>956,130</u> | <u>913,318</u> | <u>26,245</u> | <u>26,221</u> | <u>67,327</u> | <u>427,552</u> | <u>3,508,559</u> | <u>256,087</u> | <u>418,781</u> |
| Redemption of units: | | | | | | | | | | |
| Aggressive: 11,068,273 units, | 950,649 | - | - | - | - | - | - | 950,649 | - | - |
| Moderate: 13,214,515 units, | - | 973,230 | - | - | - | - | - | 973,230 | - | - |
| Conservative: 13,243,532 units, | - | - | 867,902 | - | - | - | - | 867,902 | - | - |
| MCCP I: 1,717,142 units, | - | - | - | 255,098 | - | - | - | 255,098 | - | 89,796 |
| MAAP : 4,087,502 units, | - | - | - | - | 110,531 | - | - | 110,531 | - | - |
| MAAP I: 1,706,662 units, | - | - | - | - | - | 428,663 | - | 428,663 | - | - |
| MAAP V: 6,779,005 units, | - | - | - | - | - | - | 212,082 | 212,082 | - | - |
| MAAP V: 3,691,334 units | - | - | - | - | - | - | - | - | 15,658 | - |
| MCCP I: 304,595 units, | - | - | - | - | - | - | - | - | 15,658 | - |
| Total payments on redemption of units | <u>950,649</u> | <u>973,230</u> | <u>867,902</u> | <u>255,098</u> | <u>110,531</u> | <u>428,663</u> | <u>212,082</u> | <u>3,798,155</u> | <u>15,658</u> | <u>89,796</u> |
| Element of (income) / (loss) and capital (gains) / (losses) included in prices of units issued less those in units redeemed - net | <u>(12,260)</u> | <u>20,263</u> | <u>6,301</u> | <u>34,250</u> | <u>17,091</u> | <u>62,394</u> | <u>17,966</u> | <u>146,005</u> | <u>27,599</u> | <u>8,800</u> |
| Net realised gain on sale of investments | 60,117 | 53,461 | 35,369 | 73,697 | 37,497 | 98,922 | 31,131 | 390,194 | 97,417 | 395,448 |
| Unrealised (diminution) / appreciation on re measurement of investments at fair value through profit or loss (net) | (12,553) | (7,158) | (13,146) | 93,510 | 82,985 | 271,498 | 64,423 | 479,559 | - | - |
| Net other income / (loss) for the year / period | 46,837 | 2,828 | 14,663 | 36,023 | 33,670 | 87,431 | 32,960 | 254,312 | (28,293) | (24,954) |
| Total comprehensive income for the year / period | <u>94,401</u> | <u>48,131</u> | <u>36,886</u> | <u>203,230</u> | <u>154,152</u> | <u>457,851</u> | <u>128,414</u> | <u>1,124,066</u> | <u>69,124</u> | <u>370,494</u> |
| Distribution during the year period | <u>(43,993)</u> | <u>(11,086)</u> | <u>(1,862)</u> | <u>(35,221)</u> | <u>(34,183)</u> | <u>(87,375)</u> | <u>(33,539)</u> | <u>(247,259)</u> | <u>(256,088)</u> | <u>(418,781)</u> |
| Net income / (loss) for the year period less distribution | <u>50,408</u> | <u>38,045</u> | <u>35,024</u> | <u>168,009</u> | <u>119,969</u> | <u>370,476</u> | <u>94,875</u> | <u>876,806</u> | <u>(186,964)</u> | <u>(48,287)</u> |
| Net assets at end of the period | <u>622,134</u> | <u>407,809</u> | <u>413,397</u> | <u>1,251,312</u> | <u>977,977</u> | <u>2,922,541</u> | <u>860,244</u> | <u>7,455,414</u> | <u>1,656,710</u> | <u>3,324,132</u> |
| Represented by | | | | | | | | | | |
| Capital value | 447,919 | 298,428 | 325,714 | 987,898 | 777,741 | 2,339,353 | 782,692 | 5,959,745 | 1,679,282 | 3,328,727 |
| Undistributed income carried forward | | | | | | | | | | |
| - Realised income / (loss) | 186,768 | 116,539 | 100,829 | 169,904 | 117,251 | 311,690 | 13,129 | 1,016,110 | (22,572) | (4,595) |
| - Unrealised (loss) / income | (12,553) | (7,158) | (13,146) | 93,510 | 82,985 | 271,498 | 64,423 | 479,559 | - | - |
| | <u>622,134</u> | <u>407,809</u> | <u>413,397</u> | <u>1,251,312</u> | <u>977,977</u> | <u>2,922,541</u> | <u>860,244</u> | <u>7,455,414</u> | <u>1,656,710</u> | <u>3,324,132</u> |
| | <u>Rupees</u> | <u>Rupees</u> | <u>Rupees</u> | <u>Rupees</u> | <u>Rupees</u> | <u>Rupees</u> | <u>Rupees</u> | <u>Rupees</u> | <u>Rupees</u> | <u>Rupees</u> |
| Net asset value per unit as at beginning of the period | <u>73.7300</u> | <u>65.3200</u> | <u>60.7100</u> | <u>54.0300</u> | <u>54.7500</u> | <u>54.0300</u> | <u>48.4200</u> | <u>55.6400</u> | <u>50.7300</u> | |
| Net asset value per unit as at end of the period | <u>79.8300</u> | <u>72.0400</u> | <u>66.3300</u> | <u>62.4100</u> | <u>62.4000</u> | <u>61.8700</u> | <u>54.4200</u> | <u>50.0000</u> | <u>50.0000</u> | |

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

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

Mohammad Shoab, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

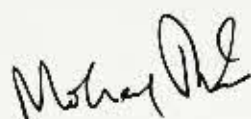
CASH FLOW STATEMENT

FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

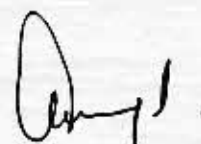
| Note | For the period ended June 30, 2018 | | | | | | From July 01, 2017 to January 11, 2018 | From July 01, 2017 to March 30, 2018 |
|--|------------------------------------|------------------|------------------|----------------------------|------------------|--------------------|--|--------------------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I (Rupees in '000) | MAAP-IV | Total | MAAP-II | MAAP-III |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Net (loss) / income for the period before taxation | (72,318) | (26,843) | (7,171) | (65,391) | (101,247) | (272,970) | (136,214) | (360,748) |
| Adjustments for | | | | | | | | |
| Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5 | 61,900 | 18,296 | 2,675 | 9,713 | 48,845 | 141,429 | - |
| Amortisation of preliminary expenses and floatation costs | 6 | - | - | 157 | - | - | 157 | - |
| | | (10,418) | (8,547) | (4,339) | (55,678) | (52,402) | (131,384) | (136,214) |
| Decrease / (increase) in assets | | | | | | | | |
| Investments - net | 68,660 | 81,090 | 122,525 | 421,309 | 307,858 | 1,001,442 | 990,376 | 2,956,838 |
| Receivable against investments - net | 5,000 | 33,875 | 19,000 | - | (5,000) | 52,875 | (701,943) | (2,199,011) |
| Profit receivable on saving accounts with banks | (2) | 5 | 10 | 6 | - | 19 | (131) | (517) |
| | 73,658 | 114,970 | 141,535 | 421,315 | 302,858 | 1,054,336 | 288,302 | 757,310 |
| Increase / (decrease) in liabilities | | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | (44) | 23 | (116) | (39) | (31) | (207) | (63) | (74) |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | (10) | (7) | (7) | (31) | (21) | (76) | (54) | (54) |
| Payable to Meezan Bank Limited | (1) | 15 | 1 | - | - | 15 | - | - |
| Payable to Securities and Exchange Commission of Pakistan | (83) | (153) | (105) | (448) | (292) | (1,081) | (552) | (1,264) |
| Accrued expenses and other liabilities | (6,863) | (1,512) | (138) | (4,617) | (2,699) | (15,829) | (2,594) | (3,054) |
| | (7,001) | (1,634) | (365) | (5,135) | (3,043) | (17,178) | (3,263) | (4,446) |
| Net cash generated from operating activities | 56,239 | 104,789 | 136,831 | 360,502 | 247,413 | 905,774 | 148,825 | 392,116 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Receipts against issuance and conversion of units | 390,023 | 199,708 | 294,656 | 393,411 | - | 1,277,798 | - | - |
| Payments against redemption and conversion of units | (455,004) | (306,871) | (424,217) | (750,718) | (247,151) | (2,183,961) | (151,769) | (396,382) |
| Dividend paid | (298) | (900) | (63) | - | - | (1,261) | - | - |
| Net cash used in financing activities | (65,279) | (108,063) | (129,624) | (357,307) | (247,151) | (1,455,575) | (151,769) | (396,382) |
| Net (decrease) / increase in cash and cash equivalents during the period / year | (9,040) | (3,274) | 7,207 | 3,195 | 262 | (1,650) | (2,944) | (4,266) |
| Cash and cash equivalents at beginning of the period / year | 12,939 | 6,239 | 2,634 | 2,009 | 2,670 | 26,491 | 5,981 | 12,981 |
| Cash and cash equivalents at end of the period / year | 4 | 3,899 | 2,965 | 9,841 | 5,204 | 2,932 | 24,841 | 3,037 |
| | | | | | | | | 8,715 |

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

For Al Meezan Investment Management Limited
(Management Company)



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



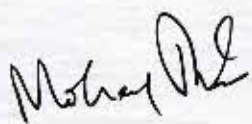
CASH FLOW STATEMENT

FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

| Note | For the period / year ended June 30, 2017 | | | | | | | From July 01, 2016 to October 27, 2016 | From July 01, 2016 to March 24, 2017 | |
|---|---|-----------|--------------|-----------|-----------|-----------|-----------|--|--------------------------------------|-----------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Net Income for the period before taxation | 94,401 | 49,131 | 35,886 | 203,230 | 154,152 | 457,851 | 128,414 | 1,124,065 | 69,124 | 370,494 |
| Adjustments for | | | | | | | | | | |
| Net unrealised (diminution) / appreciation on re measurement of investments classified as 'financial assets at fair value through profit or loss' | 5 | 12,553 | 7,158 | 13,146 | (93,510) | (82,985) | (271,498) | (64,423) | (479,559) | - |
| Amortisation of preliminary expenses and floatation costs | 6 | - | - | 200 | - | - | - | - | 200 | - |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed net | | (12,260) | 20,263 | 6,301 | 34,250 | 17,091 | 62,394 | 17,966 | 146,005 | 27,599 |
| | | 94,694 | 76,552 | 56,533 | 143,970 | 88,258 | 248,747 | 81,957 | 790,711 | 96,723 |
| (Increase) / decrease in assets | | | | | | | | | | |
| Investments - net | (192,247) | (49,482) | (126,300) | 109,803 | 6,257 | 177,383 | (358,513) | (433,099) | 1,591,746 | 3,061,757 |
| Receivable against sale of investments net | (5,000) | (33,875) | (19,000) | (4) | (5,700) | (24,700) | (88,275) | (88,275) | - | - |
| Profit receivable on saving accounts with banks | 20 | (6) | (15) | (4) | 28 | (10) | 127 | 140 | (713) | (579) |
| | (197,227) | (83,363) | (145,315) | 109,799 | 585 | 152,673 | (358,386) | (521,234) | 1,591,033 | 3,061,178 |
| Increase / (decrease) in liabilities | | | | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 15 | (53) | 104 | (8) | (8) | 15 | (1,258) | (1,193) | 42 | 1 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 19 | 6 | 9 | 3 | 6 | 15 | 43 | 101 | (5) | (14) |
| Payable to Meezan Bank Limited | | | | | | | (1,035) | (1,035) | - | - |
| Payable to Securities and Exchange Commission of Pakistan | 235 | 172 | 188 | 379 | 563 | 2,099 | 870 | 4,506 | (979) | (692) |
| Accrued expenses and other liabilities | 3,876 | (3,145) | (2,686) | 7,451 | 5,119 | 11,836 | (9,274) | 13,177 | (5,920) | 13,961 |
| | 4,145 | (3,020) | (2,385) | 7,825 | 5,680 | 13,965 | (10,654) | 15,556 | (6,862) | 13,256 |
| Net cash (used in) / generated from operating activities | (98,388) | (9,831) | (91,167) | 261,594 | 94,523 | 415,385 | (287,083) | 285,033 | 1,680,894 | 3,453,728 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | |
| Receipts against issuance and conversion of units | 1,092,719 | 956,481 | 945,049 | 26,245 | 26,221 | 67,327 | 486,767 | 3,600,809 | - | - |
| Payments against redemption and conversion of units | (938,922) | (938,682) | (852,097) | (254,830) | (99,428) | (393,225) | (211,959) | (3,689,143) | (15,659) | (89,797) |
| Dividend paid | (43,720) | (10,351) | (1,852) | (39,009) | (36,812) | (87,731) | (33,808) | (253,283) | (142) | (802) |
| Net cash generated from / (used in) financing activities | 110,077 | 7,448 | 91,100 | (267,594) | (110,019) | (413,629) | 241,000 | (341,617) | (15,801) | (90,599) |
| Net Increase / (decrease) in cash and cash equivalents during the period / year | 11,689 | (2,383) | (67) | (6,000) | (15,496) | 1,756 | (46,083) | (56,584) | 1,665,093 | 3,363,129 |
| Cash and cash equivalents at beginning of the period / year | 1,250 | 8,622 | 2,701 | 8,009 | 21,477 | 11,225 | 48,753 | 102,037 | 11,454 | 5,398 |
| Cash and cash equivalents at end of the period / year | 4 | 12,939 | 6,239 | 2,634 | 2,009 | 5,981 | 12,981 | 2,670 | 45,453 | 1,676,547 |

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

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


Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali Zaidi
Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD / YEAR ENDED JANUARY 11, 2018, MARCH 30, 2018 AND JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Financial Planning Fund of Funds (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on July 27, 2012 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Fund is registered as a Notified entity under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) issued through S.R.O.1203(I)/2008 on November 21, 2008. The Management Company has been licensed by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund has been formed to enable the unitholders to participate in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah guidelines. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end Shariah compliant Fund of Funds Scheme listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis except for two plans Meezan Asset Allocation Plan-I (MAAP-I) and Meezan Asset Allocation Plan-IV (MAAP-IV) in which the offer of units is discontinued after the end of the subscription period. However, the subscription in units may be reopened for fresh issuance by the Management Company with prior approval of the Commission after intimation to the Trustee and by providing notice to investors in order to protect the interest of the unitholders. The units of the plan are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** Title to the assets of the Fund are held in the name of CDC as the Trustee of the Fund. The Fund's property of different types of allocation plans is accounted for and maintained separately in the books of accounts, which collectively constitute the Fund's property of the Scheme.
- 1.5** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.6** The Fund is an open-end Shariah compliant Fund of Funds Scheme that aims to generate returns on investment as per allocation plans (sub funds) namely Aggressive Plan, Moderate Plan, Conservative Plan, MAAP-I and MAAP-IV by investing in Shariah compliant income, money market and equity mutual funds in line with the risk tolerance of the investor. Investors of the Fund may hold different types of allocation plans and may invest in any one or more of the available allocation plans. The management may also invest in other Collective Investments Schemes available to it with prior approval of SECP. A brief description of the plans are as follows:

| | |
|---|---|
| Aggressive Allocation Plan (Aggressive) | High risk - Long term investor This plan invests at least 65 percent of its net assets in Shariah Compliant Equity Funds and at least 25 percent in Shariah Compliant Fixed Income Funds. |
| Moderate Allocation Plan (Moderate) | Moderate risk - Medium and long term investor This plan invests at least 45 percent of its net assets in Shariah Compliant Equity Funds and at least 45 percent in Shariah Compliant Fixed Income Funds. |





| | |
|---|---|
| Conservative Allocation Plan (Conservative) | Low risk - Medium and short term investor This plan invests at least 20 percent of its net assets in Shariah Compliant Equity Funds and at least 70 percent in Shariah Compliant Fixed Income Funds. |
| Meezan Asset Allocation Plan I (MAAP-I) | Low risk - High return through asset allocation The allocation plan can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / schemes based on the macroeconomic view and outlook of such asset classes up to 100 percent. The initial maturity of this plan is two years from the close of the subscription period (i.e. October 20, 2015). Units shall be subject to front end load. An early exit fee shall also be charged in case of redemption before the completion of the initial maturity of the plan. |
| Meezan Asset Allocation Plan II (MAAP-II) | Low risk - High return through asset allocation The allocation plan can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / Schemes based on the macroeconomic view and outlook of such asset classes up to 100 percent. The initial maturity of this plan is two years from the close of the subscription period (i.e. January 11, 2016). The plan was matured on January 11, 2018. |
| Meezan Asset Allocation Plan III (MAAP-III) | Low risk - High return through asset allocation The allocation plan can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / schemes based on the macroeconomic view and outlook of such asset classes up to 100 percent. The initial maturity of this plan is two years from the close of the subscription period (i.e. March 30, 2016). The plan was matured on March 30, 2018. |
| Meezan Asset Allocation Plan IV (MAAP-IV) | Low risk - High return through asset allocation The allocation plan can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / schemes based on the macroeconomic view and outlook of such asset classes up to 100 percent. The initial maturity of this plan is two years from the close of the subscription period (i.e. July 24, 2016). Units shall be subject to front end load. An early exit fee shall also be charged in case of redemption before the completion of the initial maturity of the plan. |

Each allocation plan announces separate Net Asset Value which ranks Pari Passu according to the number of units of the respective allocation plans. The books and records of each plan have been maintained separately.

- 1.7 During the period, Meezan Asset Allocation Plan-I (MAAP-1) has been reopened for investment, after completion of two years. This plan has a new maturity date of two years from the close of the re-subscription period (i.e. November 24, 2017). Further MAAP-II and MAAP-III has matured on January 11, 2018 and March 30, 2018 respectively. Resultantly, the financial statements of the plan has not been prepared on a going concern basis. Therefore, the assets and liabilities are measured at lower of their carrying amount and fair value less cost to sell.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.16 and 17).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which are measured at fair value and the financial statements of MAAP - II and MAAP - III which have not been prepared on a going concern basis. Therefore, the assets and liabilities of these plans are measured at lower of their carrying amount and fair value less cost to sell.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in note 3.11 and 3.12 below.



3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets generally require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial assets at fair value through profit or loss'

Basis of valuation in the collective investment scheme

The investments of the Fund in the collective investment scheme are valued on the basis of daily net assets value (NAV) announced by the management company.

The fair value of financial instruments i.e. investment in mutual funds is based on their net asset value at the reporting date without any deduction for estimated future selling costs.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on equity securities

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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



3.7 Net asset value per unit

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

3.8 Unitholders' fund

Unitholders' fund of each allocation plan representing the units issued by each respective sub fund separately, is carried at the redemption amount representing the investors' right to a residual interest in the respective sub fund's net assets.

3.9 Issuance and redemption of units

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

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

3.10 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period in respect of each sub-fund which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 61.090 million with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.12 During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.13 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 recognized when the Fund's right to receive the same is established. i.e. on the date of book closure of the investee fund declaring the dividend.
- (iii) Profit on bank deposit is recognized on time proportion basis using the effective yield method.
- (iv) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.

3.14 Expenses

All expenses including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.15 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund.

3.16 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates. The charge for current tax also include adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.



Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

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

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

3.17 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.18 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

4. BALANCES WITH BANKS

| Note | As at June 30, 2018 | | | | | | As at January 11, 2018 | As at March 30, 2018 |
|------------------|---------------------|--------------|--------------|--------------|--------------|---------------|------------------------------|----------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-II | MAAP-III |
| | (Rupees in '000) | | | | | | | |
| Saving accounts | 1,444 | 1,047 | 5,408 | 1,864 | 2,851 | 12,614 | 3,037 | 7,574 |
| Current accounts | 2,455 | 1,918 | 4,433 | 3,340 | 81 | 12,227 | - | 1,141 |
| | <u>3,899</u> | <u>2,965</u> | <u>9,841</u> | <u>5,204</u> | <u>2,932</u> | <u>24,841</u> | <u>3,037</u> | <u>8,715</u> |

| Note | As at June 30, 2017 | | | | | | | | As at October 27, 2016 | As at March 24, 2017 |
|------------------|---------------------|--------------|--------------|--------------|--------------|---------------|--------------|------------------|------------------------------|----------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPPI | MCPPII |
| | (Rupees in '000) | | | | | | | | | |
| Saving accounts | 10,519 | 4,817 | 2,139 | 1,974 | 5,687 | 10,767 | 2,563 | 38,466 | 1,676,547 | 3,368,527 |
| Current accounts | 2,420 | 1,422 | 495 | 35 | 294 | 2,214 | 107 | 6,987 | - | - |
| | <u>12,939</u> | <u>6,239</u> | <u>2,634</u> | <u>2,009</u> | <u>5,981</u> | <u>12,981</u> | <u>2,670</u> | <u>50,905,27</u> | <u>1,676,547</u> | <u>3,368,527</u> |

- 4.1 The balance in savings accounts have expected profit rates ranging from 2.00% to 6.55% (June 30, 2017: 2.00% to 2.40%) per annum.

5. INVESTMENTS

| Note | As at June 30, 2018 | | | | | | As at January 11, 2018 | As at March 30, 2018 |
|---|---------------------|----------|--------------|---------|---------|-----------|------------------------------|----------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-I | MAAP-III |
| Investments - 'at fair value through profit or loss' - held for trading | 497,702 | 309,708 | 282,881 | 835,526 | 510,146 | 2,435,963 | - | - |

| Note | As at June 30, 2017 | | | | | | As at October 27, 2016 | As at March 24, 2017 |
|---|---------------------|----------|--------------|-----------|----------|-----------|------------------------------|----------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-III | MAAP-IV | MCPP-I | MCPP-III |
| Investments - 'at fair value through profit or loss' - held for trading | 628,262 | 409,094 | 408,081 | 1,266,548 | 990,376 | 2,956,838 | 866,849 | 7,526,048 |

5.1 At fair value through profit or loss - Held for Trading - Units of mutual funds

| Name of the investee funds | As at July 1, 2017 | Purchases during the year | Sales during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised (diminution)/ appreciation as at June 30, 2018 | Percentage in relation to Net assets of the Fund on the basis of market value |
|---|--------------------------|---------------------------------|-----------------------------|---------------------------|---|---|---|---|
| | (Number of units) | | | | (Rupees in '000) | | | (Percentage) |
| Aggressive Allocation Plan | | | | | | | | |
| Meezan Islamic Fund | 5,755,580 | 1,483,388 | 1,345,266 | 5,893,702 | 439,863 | 373,276 | (66,587) | 75.00 |
| Meezan Islamic Income Fund | 1,833,808 | 208,445 | 881,116 | 1,161,137 | 59,862 | 62,213 | 2,351 | 12.50 |
| Meezan Cash Fund | 1,868,717 | 212,965 | 898,696 | 1,182,986 | 59,877 | 62,213 | 2,336 | 12.50 |
| | | | | | 559,602 | 497,702 | (61,900) | 100.00 |
| Moderate Allocation Plan | | | | | | | | |
| Meezan Islamic Fund | 2,676,971 | 844,035 | 1,076,095 | 2,444,911 | 178,807 | 154,848 | (23,959) | 50.00 |
| Meezan Cash Fund | 2,028,032 | 340,959 | 896,654 | 1,472,337 | 74,616 | 77,430 | 2,814 | 25.00 |
| Meezan Islamic Income Fund | 1,990,147 | 334,253 | 879,257 | 1,445,143 | 74,581 | 77,430 | 2,849 | 25.00 |
| | | | | | 328,004 | 309,708 | (18,296) | 100.00 |
| Conservative Allocation Plan | | | | | | | | |
| Meezan Islamic Fund | 1,335,169 | 466,107 | 684,717 | 1,116,559 | 81,419 | 70,717 | (10,702) | 25.00 |
| Meezan Cash Fund | 3,034,510 | 368,345 | 1,385,694 | 2,017,161 | 102,078 | 106,082 | 4,004 | 37.50 |
| Meezan Islamic Income Fund | 2,977,823 | 360,446 | 1,358,365 | 1,979,904 | 102,059 | 106,082 | 4,023 | 37.50 |
| | | | | | 285,556 | 282,881 | (2,675) | 100.00 |
| Meezan Asset Allocation Plan I | | | | | | | | |
| Al Meezan Mutual Fund | 3,416,582 | 2,332,317 | 5,709,108 | 39,791 | 734 | 703 | (31) | 0.09 |
| Meezan Islamic Fund | 13,417,797 | 5,743,872 | 19,161,669 | | | | | |
| Meezan Sovereign Fund | 908,615 | | 908,230 | 385 | 20 | 20 | | |
| Meezan Islamic Income Fund | | 35,256,918 | 31,788,986 | 3,467,932 | 181,041 | 185,809 | 4,768 | 22.24 |
| Meezan Cash Fund | 1,876,917 | 3,634,077 | 4,946,368 | 564,626 | 28,699 | 29,693 | 994 | 3.55 |
| KSE Meezan Index Fund | 348,329 | 913,313 | 1,261,642 | | | | | |
| Meezan Dedicated Equity Fund | | 18,456,183 | 5,696,934 | 12,759,249 | 634,745 | 619,301 | (15,444) | 74.12 |
| | | | | | 845,239 | 835,526 | (9,713) | 100.00 |
| Meezan Asset Allocation Plan II | | | | | | | | |
| Meezan Islamic Fund | 10,859,058 | 660,921 | 11,519,979 | | | | | |
| Meezan Sovereign Fund | 1,579,961 | | 1,579,961 | | | | | |
| Meezan Islamic Income Fund | | 4,596,367 | 4,596,367 | | | | | |
| Meezan Cash Fund | 1,574,963 | 13,750,061 | 15,325,024 | - | - | - | - | - |
| Meezan Dedicated Equity Fund | - | 444,265 | 444,265 | - | - | - | - | - |
| Meezan Asset Allocation Plan III | | | | | | | | |
| Al Meezan Mutual Fund | 18,794,560 | - | 18,794,560 | - | - | - | - | - |
| Meezan Islamic Fund | 28,489,889 | 12,630,712 | 41,120,601 | - | - | - | - | - |
| Meezan Islamic Income Fund | 7,445,192 | 46,358,992 | 53,804,184 | - | - | - | - | - |
| Meezan Cash Fund | - | 58,062,360 | 58,062,360 | - | - | - | - | - |
| Meezan Dedicated Equity Fund | - | 17,958,612 | 17,958,612 | - | - | - | - | - |
| Meezan Asset Allocation Plan IV | | | | | | | | |
| Al Meezan Mutual Fund | 3,941,239 | - | 2,636,917 | 1,304,322 | 27,574 | 23,034 | (4,540) | 4.52 |
| Meezan Islamic Fund | 9,021,808 | 1,265,749 | 6,297,397 | 3,990,160 | 295,572 | 252,716 | (42,856) | 49.54 |
| Meezan Islamic Income Fund | 452,694 | 4,922,358 | 3,880,835 | 1,494,217 | 78,099 | 80,059 | 1,960 | 15.69 |
| Meezan Cash Fund | 1,406,135 | 391,619 | 835,094 | 962,660 | 48,681 | 50,626 | 1,945 | 9.92 |
| Meezan Dedicated Equity Fund | - | 2,216,178 | 79,458 | 2,136,720 | 109,065 | 103,711 | (5,354) | 20.33 |
| | | | | | 558,991 | 510,146 | (48,845) | 100.00 |





| Name of the investee funds | As at July 1, 2017 | Purchases during the year | Sales during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealized (diminution)/ appreciation as at June 30, 2018 | Percentage in relation to Net assets of the Fund on the basis of market value |
|---|--------------------|---------------------------|-----------------------|---------------------|------------------------------------|----------------------------------|---|---|
| | (Number of units) | | | (Rupees in '000) | | | | (Percentage) |
| Total investments in units of mutual funds | | | | | | | | |
| Al Meezan Mutual Fund | 26,152,381 | 2,332,317 | 27,140,585 | 1,344,113 | 28,308 | 23,737 | (4,571) | 0.98 |
| Meezan Islamic Fund | 71,556,272 | 23,094,784 | 81,205,724 | 13,445,332 | 995,661 | 851,557 | (144,104) | 34.96 |
| Meezan Cash Fund | 11,789,274 | 76,760,386 | 82,349,890 | 6,199,770 | 313,951 | 326,044 | 12,093 | 13.38 |
| Meezan Sovereign Fund | 2,488,576 | | 2,488,191 | 385 | 20 | 20 | | |
| Meezan Islamic Income Fund | 14,699,664 | 92,037,779 | 97,189,110 | 9,548,333 | 495,642 | 511,593 | 15,951 | 21 |
| KSE Meezan Index Fund | 348,329 | 913,313 | 1,261,642 | - | - | - | - | - |
| Meezan Dedicated Equity Fund | | 39,075,238 | 24,179,269 | 14,895,969 | 743,810 | 723,012 | (20,798) | 29.68 |
| | | | | | 2,577,392 | 2,435,963 | (141,429) | 100.000 |

6. PRELIMINARY EXPENSES AND FLOATATION COST

| Note | As at June 30, 2018 | | | | | | | As at January 11, 2018 | As at March 30, 2018 |
|---|---------------------|----------|--------------|--------|---------|----------|--------|------------------------|----------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-I | MAAP-III | |
| | (Rupees in '000) | | | | | | | | |
| Opening balance | - | - | 157 | - | - | 157.00 | - | - | |
| Less: Amortization during the year / period | - | - | (157) | - | - | (157.00) | - | - | |
| Closing balance | - | - | - | - | - | - | - | - | |

| Note | As at June 30, 2017 | | | | | | | As at October 27, 2016 | As at March 24, 2017 | |
|---|---------------------|----------|--------------|--------|---------|----------|---------|------------------------|----------------------|----------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPPI-I | MCPPI-II |
| | (Rupees in '000) | | | | | | | | | |
| Opening balance | - | - | 357 | - | - | - | - | 357 | - | - |
| Less: Amortization during the year / period | - | - | (200) | - | - | - | - | (200) | - | - |
| Closing balance | - | - | 157 | - | - | - | - | 157 | - | - |

6.1 Preliminary expenses and floatation cost represent expenditure incurred prior to the commencement of the operations of the Fund, restricted to one percent of pre-IPO Capital, and are being amortized over a period of five years commencing from the end of the initial offering period in accordance with the Trust Deed of the Fund.

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

| Note | As at June 30, 2018 | | | | | | | As at January 11, 2018 | As at March 30, 2018 |
|-----------------------------------|---------------------|-----------|--------------|-----------|-----------|------------|-----------|------------------------|----------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-I | MAAP-III | |
| | (Rupees in '000) | | | | | | | | |
| Management fee | 4 | 1 | 10 | 4 | 2 | 21 | 1 | 4 | |
| Sindh Sales Tax on management fee | 1 | - | 1 | 1 | - | 3 | - | 1 | |
| Sales load | 13 | 34 | 12 | - | - | 59 | - | 1 | |
| Sindh Sales Tax on sales load | 2 | 4 | 2 | - | - | 8 | - | - | |
| Allocated expenses | 42 | 26 | 24 | 69 | 43 | 204 | 22 | 184 | |
| | 62 | 65 | 49 | 74 | 45 | 295 | 23 | 190 | |

| Note | As at June 30, 2017 | | | | | | | As at October 27, 2016 | As at March 24, 2017 | |
|-----------------------------------|---------------------|-----------|--------------|------------|-----------|------------|-----------|------------------------|----------------------|------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPPI-I | MCPPI-II |
| | (Rupees in '000) | | | | | | | | | |
| Management fee | 10 | 4 | 12 | 2 | 2 | 12 | 3 | 45 | 53 | 34 |
| Sindh Sales Tax on management fee | 1 | 1 | 2 | - | - | 2 | - | 6 | 7 | 4 |
| Sales load | 34 | | 103 | | | | | 137 | | |
| Sindh Sales Tax on sales load | 4 | - | 13 | - | - | - | - | 17 | - | - |
| Allocated expenses | 57 | 37 | 35 | 111 | 84 | 250 | 73 | 647 | 123 | 220 |
| | 106 | 42 | 165 | 113 | 86 | 264 | 76 | 852 | 183 | 258 |



- 7.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration equal to an amount not exceeding 1.5% of the average annual net assets in case of a Fund of Funds Scheme. The remuneration of the Management Company has been charged at the rate of 1% of daily bank balance for the year / period ended June 30, 2018.
- 7.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company, sales load and trustee fee through the Sindh Sales Tax on Services Act 2011. In the current year / period, Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) was charged on the remuneration of the Management Company, sales load and trustee fee.
- 7.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses incurred.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

| Note | As at June 30, 2018 | | | | | | As at | As at |
|--|---------------------|----------|--------------|--------|---------|-------|----------|----------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | January | March |
| | (Rupees in '000) | | | | | | 11, 2018 | 30, 2018 |
| Trustee fee payable | 39 | 22 | 28 | 56 | 38 | 183 | 17 | 147 |
| Sindh Sales Tax payable on trustee fee | 5 | 3 | 3 | 8 | 5 | 24 | 2 | 19 |
| | 44 | 25 | 31 | 64 | 43 | 207 | 19 | 166 |

| Note | As at June 30, 2017 | | | | | | | | | As at | As at | |
|--|---------------------|----------|--------------|--------|---------|----------|---------|-------|--------|----------|----------|-------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II | October | March |
| | (Rupees in '000) | | | | | | | | | 27, 2016 | 24, 2017 | |
| Trustee fee payable | 48 | 28 | 35 | 84 | 65 | 195 | 57 | 512 | 90 | 168 | | |
| Sindh Sales Tax payable on trustee fee | 6 | 4 | 3 | 11 | 8 | 25 | 7 | 64 | 17 | 23 | | |
| | 54 | 32 | 38 | 95 | 73 | 220 | 64 | 683 | | 107 | | |

- 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 value of the Fund.

The remuneration of the Trustee for the year / period ended June 30, 2018 and 2017 has been calculated as per the following applicable tariff:

| Net assets | Tariff |
|---------------------|--|
| Up to Rs. 1 billion | 0.10% per annum |
| Over Rs. 1 billion | Rs. 1 million plus 0.075% p.a. of Net Assets exceeding Rs. 1 billion |

- 8.2** A notification (SRB-3-4/TP/01/2015/86554 dated June 13, 2015) was issued by the Sindh Revenue Board (SRB), which introduced amendments in the Sindh Sales Tax on Services Act, 2011. During the year / period, Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) was charged on the remuneration of the trustee.

9. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee at the rate of 0.095% of the average annual net assets of the fund payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations.



10. ACCRUED EXPENSES AND OTHER LIABILITIES

| Note | As at June 30, 2018 | | | | | | As at January 11, 2018 | As at March 30, 2018 |
|---|---------------------|--------------|--------------|---------------|--------------|---------------|------------------------------|----------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-I | MAAP-III |
| | (Rupees in '000) | | | | | | | |
| Withholding tax payable | 127 | 458 | 14 | 417 | 52 | 1,068 | 1,734 | 6,636 |
| Provision for Sindh Workers' Welfare Fund | 3,380 | 1,916 | 1,214 | 6,886 | 2,621 | 16,017 | 5,615 | 16,339 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on sales load | 364 | 394 | 454 | 3,294 | 2,662 | 7,168 | 1,787 | 6,735 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on management fee | 19 | 39 | 31 | 17 | 5 | 111 | 30 | 28 |
| Shariah advisor fee payable | 22 | 14 | 13 | 37 | 24 | 110 | 22 | 91 |
| Auditors' remuneration payable | 62 | 39 | 38 | 105 | 71 | 315 | 39 | 145 |
| Printing charges payable | 35 | 32 | 20 | 52 | 35 | 174 | 20 | 87 |
| Zakat payable | - | - | - | - | - | - | - | 28 |
| | 4,009 | 2,892 | 1,784 | 10,808 | 5,470 | 24,963 | 9,247 | 30,089 |

| Note | As at June 30, 2017 | | | | | | | As at October 27, 2016 | As at March 24, 2017 | |
|---|---------------------|--------------|--------------|---------------|---------------|---------------|--------------|------------------------------|----------------------------|---------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | | |
| Withholding tax payable | 7,079 | 2,033 | 203 | 5,166 | 4,362 | 9,898 | 2,840 | 31,581 | 12,928 | 19,124 |
| Provision for Sindh Workers' Welfare Fund | 3,380 | 1,916 | 1,214 | 6,886 | 5,615 | 16,339 | 2,621 | 37,971 | 2,353 | 13,681 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on sales load | 364 | 394 | 454 | 3,294 | 1,787 | 6,735 | 2,662 | 15,690 | 4,406 | 9,341 |
| Provision for Federal Excise Duty and related Sindh Sales Tax on management fee | 19 | 39 | 31 | 17 | 30 | 31 | 5 | 172 | 34 | 50 |
| Shariah advisor fee payable | 10 | 7 | 6 | 20 | 15 | 45 | 13 | 116 | 33 | 49 |
| Auditors' remuneration payable | 19 | 14 | 13 | 41 | 30 | 91 | 27 | 235 | 25 | 60 |
| Printing charges payable | 1 | 1 | 1 | 1 | 2 | 4 | 1 | 11 | 1 | 3 |
| Zakat payable | - | - | - | - | - | - | - | - | - | 13 |
| | 10,872 | 4,404 | 1,922 | 15,425 | 11,841 | 33,143 | 8,169 | 85,776 | 19,780 | 42,321 |

- 10.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the SWWF not been provided, the NAV per unit / fund return would have been higher by Re 0.48/0.68%, 0.27/0.42%, 0.42/0.62%, 0.49/0.83%, 0.24/0.52%, 0.41/0.81% (January 11, 2018) and 0.37/0.75% (March 30, 2018) for Aggressive Allocation Plan, Conservative Allocation Plan, Moderate Allocation Plan, MAAP-I, MAAP-IV, MAAP-II and MAAP-III respectively (June 30, 2017 by Re 0.43/0.54%, 0.19/0.29%, 0.34/0.47%, 0.34/0.55%, 0.36/0.57%, 0.35/0.56 and 0.17/0.30% for Aggressive Allocation Plan, Conservative Allocation Plan, Moderate Allocation Plan, MAAP-I, MAAP-II, MAAP-III and MAAP-IV respectively).

- 10.2** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company and sales load has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in

double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 4, 2013.

The SHC while disposing of the Constitutional Petition No. D-3184 of 2014 relating to levy of FED on Mutual Funds had declared the said provisions to be ultra vires and as a result no FED was payable with effect from July 1, 2011, (i.e., the date on which Sindh Sales Tax on Services Act, 2011 came into force). However, the tax authorities subsequently filed an appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending decision.

Effective July 1, 2016, mutual funds have been excluded from levy of FED vide Finance Act, 2016, hence, no provision for FED has been recognised in the financial statements of the Fund since July 1, 2016.

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained the provision on FED and related Sindh Sales Tax on management fee and sales load with effect from June 13, 2013, till June 30, 2016, aggregating to Rs 0.38 million, Rs 0.44 million, Rs 0.49 million, Rs 3.31 million, Rs 1.82 million, Rs 6.77 million and Rs 2.67 million in Aggressive Allocation Plan, Moderate Allocation Plan, Conservative Allocation Plan, MAAP-I, MAAP-II, MAAP-III and MAAP-IV (June 30, 2017 Rs 0.38 million, Rs 0.43 million, Rs 0.49 million, Rs 3.31 million, Rs 1.82 million, Rs 6.77 million, Rs 2.67 million, Rs 4.44 million and Rs 9.39 million in Aggressive Allocation Plan, Moderate Allocation Plan, Conservative Allocation Plan, MAAP-I, MAAP-II, MAAP-III, MAAP-IV, MCPP-I and MCPP-II respectively). The impact of this provision on the Net Assets Value per unit as at June 30, 2018 in each specified plan is not significant.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

12. TRANSACTION COST

This represents brokerage, BATS charges, laga / levy and MTS transaction charges to the NCCPL and settlement charges to the CDC.

13. AUDITORS' REMUNERATION

| | For the period ended June 30, 2018 | | | | | | From July 01, 2017 to January 11, 2018 | From July 01, 2017 to March 30, 2018 |
|-----------------------|------------------------------------|-----------|--------------|------------|-----------|------------|--|--------------------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-II | MAAP-III |
| | (Rupees in '000) | | | | | | | |
| Statutory audit fee | 51 | 32 | 31 | 87 | 58 | 259 | 20 | 85 |
| Half year review fee | 14 | 9 | 9 | 23 | 17 | 72 | 17 | 50 |
| Certification fee | - | - | - | - | - | - | 4 | 19 |
| Out of pocket expense | - | - | - | - | - | - | 2 | 6 |
| | 65 | 41 | 40 | 110 | 75 | 331 | 43 | 160 |

| | For the period ended June 30, 2017 | | | | | | | From July 01, 2016 to October 27, 2016 | From July 01, 2016 to March 24, 2017 | |
|-----------------------|------------------------------------|-----------|--------------|-----------|-----------|------------|-----------|--|--------------------------------------|------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | | |
| Statutory audit fee | 14 | 12 | 9 | 33 | 23 | 68 | 24 | 183 | 9 | 58 |
| Half year review fee | 7 | 6 | 5 | 21 | 12 | 33 | 10 | 94 | 12 | 50 |
| Certification fee | 4 | 3 | 2 | 8 | 6 | 18 | 5 | 46 | 3 | 12 |
| Out of pocket expense | 3 | 3 | 3 | 6 | 7 | 22 | 8 | 52 | 4 | 8 |
| | 28 | 24 | 19 | 68 | 48 | 141 | 47 | 375 | 28 | 128 |

14. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the period ended June 30, 2018 is 0.34%, 0.40%, 0.34%, 0.37% and 0.32% for Aggressive Allocation Plan, Conservative Allocation Plan, Moderate Allocation Plan, MAAP-I and MAAP-IV, respectively, which includes 0.11%, 0.11%, 0.11%, 0.11% and 0.11% for Aggressive Allocation Plan, Conservative Allocation Plan, Moderate Allocation Plan, MAAP-I and MAAP-IV, respectively, representing government levy and SECP fee in each plan.





15. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the period.

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

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and Executives of the Management Company, other funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Employees Gratuity Fund and unitholders holding 10 percent or more of the Fund's net assets.

Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

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

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

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

| | As at June 30, 2018 | | | | | Total | As at | As at |
|---|---------------------|----------|--------------|--------|---------|---------|------------------|----------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | | January 11, 2018 | March 30, 2018 |
| | (Rupees in '000) | | | | | | MAAP-II | MAAP-III |
| Al Meezan Investment Management Limited | | | | | | | | |
| Management Company | | | | | | | | |
| Remuneration Payable (Rs in '000) | 4 | 1 | 10 | 4 | 2 | 21 | 1 | 4 |
| Sindh Sales Tax on management fee payable (Rs in '000) | 1 | - | 1 | 1 | - | 3 | - | 1 |
| Sales load payable (Rs in '000) | 13 | 34 | 12 | - | - | 59 | - | 1 |
| Sindh Sales Tax on sales load payable (Rs in '000) | 2 | 4 | 2 | - | - | 8 | - | - |
| Allocated expenses payable (Rs in '000) | 42 | 26 | 24 | 69 | 43 | 204 | 22 | 184 |
| Investment amount (Rs in '000) | - | - | 6,917 | - | - | 6,917 | - | - |
| Investment units | - | - | 105,971 | - | - | 105,971 | - | - |
| Meezan Bank Limited | | | | | | | | |
| Bank balance (Rs in '000) | 3,676 | 2,730 | 9,653 | 5,094 | 2,932 | 24,085 | 3,037 | 8,715 |
| Profit receivable (Rs in '000) | 1 | 2 | 13 | 13 | 49 | 78 | 136 | 607 |
| Sales load payable (Rs in '000) | 2 | 15 | 1 | - | - | 18 | - | - |
| Central Depository Company of Pakistan Limited - Trustee | | | | | | | | |
| Trustee Fee payable (Rs in '000) | 39 | 22 | 28 | 56 | 38 | 183 | 17 | 147 |
| Sindh Sales Tax on trustee fee payable (Rs in '000) | 5 | 3 | 3 | 8 | 5 | 24 | 2 | 19 |

| | As at June 30, 2018 | | | | | | As at | As at |
|---|---------------------|-----------|--------------|------------|-----------|------------|----------|----------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | January | March |
| | | | | | | | 11, 2018 | 30, 2018 |
| Directors and Executives of the Management Company | | | | | | | | |
| Investment amount (Rs in '000) | 499 | 0 | 0 | - | - | 499 | - | - |
| Investment units | 7,100 | 2 | 2 | - | - | 7,104 | - | - |
| Meezan Islamic Fund | | | | | | | | |
| Investment amount (Rs in '000) | 373,276 | 154,848 | 70,717 | - | 252,716 | 851,557 | - | - |
| Investment units | 5,893,702 | 2,444,911 | 1,116,559 | - | 3,990,160 | 13,445,332 | - | - |
| Meezan Sovereign Fund | | | | | | | | |
| Investment amount (Rs in '000) | - | - | - | 20 | - | 20 | - | - |
| Investment units | - | - | - | 385 | - | 385 | - | - |
| Al Meezan Mutual Fund | | | | | | | | |
| Investment amount (Rs in '000) | - | - | - | 703 | 23,034 | 23,737 | - | - |
| Investment units | - | - | - | 39,791 | 1,304,322 | 1,344,113 | - | - |
| Meezan Cash Fund | | | | | | | | |
| Investment amount (Rs in '000) | 62,213 | 77,430 | 106,082 | 29,693 | 50,626 | 326,044 | - | - |
| Investment units | 1,182,986 | 1,472,337 | 2,017,161 | 564,626 | 962,660 | 6,199,770 | - | - |
| Meezan Islamic Income Fund | | | | | | | | |
| Investment amount (Rs in '000) | 62,213 | 77,430 | 106,082 | 185,809 | 80,059 | 511,593 | - | - |
| Investment units | 1,161,137 | 1,445,143 | 1,979,904 | 3,467,932 | 1,494,217 | 9,548,333 | - | - |
| Meezan Dedicated Equity Fund | | | | | | | | |
| Investment amount (Rs in '000) | - | - | - | 619,301 | 103,711 | 723,012 | - | - |
| Investment units | - | - | - | 12,759,249 | 2,136,720 | 14,895,969 | - | - |
| Unit Holders holding 10% or more units of the Fund | | | | | | | | |
| Investment amount (Rs in '000) | 222,600 | 54,635 | 48,186 | 341,467 | 195,397 | 862,285 | - | - |
| Investment units | 3,167,104 | 813,850 | 738,269 | 5,826,939 | 4,166,358 | 14,712,520 | - | - |

| | As at June 30, 2017 | | | | | | | As at | As at |
|---|---------------------|----------|--------------|--------|---------|-----------|---------|-----------|-----------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | October | March |
| | | | | | | | | 27, 2016 | 24, 2017 |
| Al Meezan Investment Management Limited Management Company | | | | | | | | | |
| Remuneration payable (Rs in '000) | 10 | 4 | 12 | 2 | 2 | 12 | 3 | 45 | 34 |
| Sindh Sales Tax Management fee payable (Rs in '000) | 1 | 1 | 2 | - | - | 2 | - | 6 | 4 |
| Sales load payable (Rs in '000) | 34 | | 103 | | | | | 137 | |
| Sindh Sales load payable (Rs in '000) | 4 | | 13 | | | | | 17 | |
| Allocated expenses payable (Rs '000) | 57 | 37 | 35 | 111 | 84 | 250 | 73 | 647 | 220 |
| Investment amount (Rs in '000) | | | 7,029 | | 31,658 | 162,516 | | 201,203 | |
| Investment units | | | 105,971 | | 507,341 | 2,626,733 | | 3,240,045 | |
| Meezan Bank Limited | | | | | | | | | |
| Bank balance (Rs in '000) | 8,550 | 8,131 | 2,230 | 1,999 | 9,937 | 12,981 | 2,670 | 46,498 | 1,676,547 |
| Profit receivable (Rs in '000) | - | 5 | 22 | 18 | 5 | 90 | 49 | 189 | 742 |
| Central Depository Company of Pakistan Limited - Trustee | | | | | | | | | |
| Trustee fee payable (Rs in '000) | 48 | 28 | 35 | 84 | 65 | 195 | 57 | 512 | 95 |
| Sindh Sales Tax on trustee fee payable (Rs in '000) | 6 | 4 | 3 | 11 | 8 | 25 | 7 | 64 | 12 |





| | As at June 30, 2017 | | | | | | | As at October 27, 2016 | As at March 24, 2017 | |
|---|---------------------|-----------|--------------|------------|------------|------------|-----------|------------------------------|----------------------------|---------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II |
| (Rupees in '000) | | | | | | | | | | |
| Directors and Executives of the Management Company | | | | | | | | | | |
| Investment amount (Rs in '000) | 601 | 2 | | 256 | | | | 859 | | |
| Investment units | 7,534 | 31 | - | 4,109 | - | - | - | 11,674 | - | - |
| Meezan Islamic Fund | | | | | | | | | | |
| Investment amount (Rs in '000) | 439,784 | 204,546 | 102,020 | 1,025,254 | 829,741 | 2,176,912 | 689,356 | 5,467,613 | - | - |
| Investment units | 5,755,580 | 2,676,971 | 1,335,169 | 13,417,797 | 10,859,058 | 28,489,889 | 9,021,808 | 71,556,272 | - | - |
| Meezan Sovereign Fund | | | | | | | | | | |
| Investment amount (Rs in '000) | - | - | - | 46,703 | 81,210 | - | - | 127,913 | - | - |
| Investment units | - | - | - | 908,615 | 1,579,961 | - | - | 2,488,576 | - | - |
| AI Meezan Mutual fund | | | | | | | | | | |
| Investment amount (Rs in '000) | | | | 72,227 | | 397,317 | 83,318 | 552,862 | | |
| Investment units | - | - | - | 3,416,582 | - | 18,794,560 | 3,941,239 | 26,152,381 | - | - |
| Meezan Cash Fund | | | | | | | | | | |
| Investment amount (Rs in '000) | 94,239 | 102,274 | 153,030 | 94,653 | 79,425 | - | 70,911 | 594,532 | - | - |
| Investment units | 1,868,717 | 2,028,032 | 3,034,510 | 1,876,917 | 1,574,963 | - | 1,406,135 | 11,789,274 | - | - |
| Meezan Islamic Income Fund | | | | | | | | | | |
| Investment amount (Rs in '000) | 94,239 | 102,274 | 153,031 | - | - | 382,609 | 23,264 | 755,417 | - | - |
| Investment units | 1,833,808 | 1,990,147 | 2,977,823 | - | - | 7,445,192 | 452,694 | 14,699,664 | - | - |
| KSE Meezan Index Fund | | | | | | | | | | |
| Investment amount (Rs in '000) | | | | 27,711 | | | | 27,711 | | |
| Investment units | | | | 348,329 | | | | 348,329 | | |
| Unit Holders holding 10% or more units of the Fund | | | | | | | | | | |
| Investment amount (Rs in '000) | 252,830 | 58,630 | 48,969 | 379,617 | 194,088 | | 226,733 | 1,160,867 | 155,788 | |
| Investment units | 3,167,104 | 813,850 | 738,269 | 6,082,632 | 3,110,385 | - | 4,166,358 | 18,078,598 | 3,115,760 | - |

| | For the period ended June 30, 2018 | | | | | | From July 01, 2017 to January 11, 2018 | From July 01, 2017 to March 30, 2018 |
|---|------------------------------------|----------|--------------|--------|---------|-------|--|--|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-I | MAAP-III |
| (Rupees in '000) | | | | | | | | |
| AI Meezan Investment Management Limited - Management Company | | | | | | | | |
| Remuneration for the period (Rs in '000) | 103 | 69 | 106 | 248 | 35 | 561 | 21 | 98 |
| Sindh Sales Tax on management fee (Rs in '000) | 13 | 9 | 14 | 32 | 5 | 73 | 3 | 12 |
| Allocated expense (Rs in '000) | 546 | 341 | 333 | 929 | 631 | 2,780 | 452 | 1,830 |
| Amount invested during the period (Rs in '000) | - | - | - | - | - | - | 1,795 | 10,757 |
| Units issued during the period | - | - | - | - | - | - | 34,108 | 204,462 |
| Amount redeemed during the period (Rs in '000) | - | - | - | - | - | - | 27,072 | 141,509 |
| Units redeemed during the period | - | - | - | - | - | - | 541,450 | 2,831,194 |
| Meezan Bank Limited | | | | | | | | |
| Profit on saving account (Rs in '000) | 176 | 98 | 163 | 450 | 48 | 935 | 184 | 711 |

| | For the period ended June 30, 2018 | | | | | | From July 01, 2017 to January 11, 2018 | From July 01, 2017 to March 30, 2018 |
|---|------------------------------------|-----------|--------------|------------|-----------|------------|--|--|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | Total | MAAP-II | MAAP-III |
| | (Rupees in '000) | | | | | | | |
| Central Depository Company of Pakistan Limited | | | | | | | | |
| - Trustee | | | | | | | | |
| Trustee fee for the period (Rs in '000) | 440 | 275 | 268 | 748 | 510 | 2,241 | 357 | 1,451 |
| Sindh Sales Tax on trustee fee (Rs in '000) | 57 | 36 | 35 | 97 | 66 | 291 | 46 | 189 |
| Directors and Executives of the Management Company | | | | | | | | |
| Amount invested during the period (Rs in '000) | 233 | 28 | 189 | - | - | 450 | - | - |
| Units issued during the period | 3,357 | 417 | 2,971 | - | - | 6,745 | - | - |
| Amount redeemed during the period (Rs in '000) | 264 | 30 | 189 | - | - | 483 | - | - |
| Units redeemed during the period | 3,792 | 447 | 2,969 | - | - | 7,208 | - | - |
| Meezan Islamic Fund | | | | | | | | |
| Amount invested during the period (Rs in '000) | 101,641 | 55,185 | 30,738 | 396,000 | 84,000 | 667,564 | 44,000 | 833,000 |
| Units issued during the period | 1,483,388 | 844,035 | 466,107 | 5,743,872 | 1,265,749 | 9,803,151 | 660,921 | 12,630,712 |
| Amount redeemed during the period (Rs in '000) | 91,653 | 71,957 | 45,916 | 1,358,884 | 429,260 | 1,997,670 | 733,000 | 2,667,494 |
| Units redeemed during the period | 1,345,266 | 1,076,095 | 684,717 | 19,161,669 | 6,297,397 | 28,565,144 | 11,519,979 | 41,120,601 |
| Meezan Sovereign Fund | | | | | | | | |
| Amount redeemed during the period (Rs in '000) | - | - | - | 46,701 | - | 46,701 | 81,242 | - |
| Units redeemed during the period | - | - | - | 908,230 | - | 908,230 | 1,579,961 | - |
| Meezan Cash Fund | | | | | | | | |
| Amount invested during the period (Rs in '000) | 10,997 | 17,616 | 18,985 | 185,030 | 20,000 | 252,628 | 705,389 | 2,995,511 |
| Units issued during the period | 212,965 | 340,959 | 368,345 | 3,634,077 | 391,619 | 4,947,965 | 13,750,061 | 58,062,360 |
| Amount redeemed during the period (Rs in '000) | 45,970 | 46,071 | 71,072 | 252,980 | 41,160 | 457,253 | 789,453 | 3,010,181 |
| Units redeemed during the period | 898,696 | 896,654 | 1,385,694 | 4,946,368 | 835,094 | 8,962,506 | 15,325,024 | 58,062,360 |
| Al Meezan Mutual Fund | | | | | | | | |
| Amount invested during the period (Rs in '000) | - | - | - | 43,000 | - | 43,000 | - | - |
| Units issued during the period | - | - | - | 2,332,317 | - | 2,332,317 | - | - |
| Amount redeemed during the period (Rs in '000) | - | - | - | 110,990 | 49,000 | 159,990 | - | 319,508 |
| Units redeemed during the period | - | - | - | 5,709,108 | 2,636,917 | 8,346,025 | - | 18,794,560 |
| Meezan Islamic Income Fund | | | | | | | | |
| Amount invested during the period (Rs in '000) | 10,936 | 17,541 | 18,881 | 1,819,662 | 255,000 | 2,122,020 | 237,200 | 2,414,633 |
| Units issued during the period | 208,445 | 334,253 | 360,446 | 35,256,918 | 4,922,358 | 41,082,420 | 4,596,367 | 46,358,992 |
| Amount redeemed during the period (Rs in '000) | 45,851 | 45,914 | 70,816 | 1,645,916 | 201,000 | 2,009,497 | 238,776 | 2,820,365 |
| Units redeemed during the period | 881,116 | 879,257 | 1,358,365 | 31,788,986 | 3,880,835 | 38,788,559 | 4,596,367 | 53,804,184 |
| KSE Meezan Index Fund | | | | | | | | |
| Amount invested during the period (Rs in '000) | - | - | - | 64,736 | - | 64,736 | - | - |
| Units issued during the period | - | - | - | 913,313 | - | 913,313 | - | - |
| Amount redeemed during the period (Rs in '000) | - | - | - | 91,118 | - | 91,118 | - | - |
| Units redeemed during the period | - | - | - | 1,261,642 | - | 1,261,642 | - | - |
| Meezan Dedicated Equity Fund | | | | | | | | |
| Amount invested during the period (Rs in '000) | - | - | - | 918,000 | 113,000 | 1,031,000 | 22,000 | 865,000 |
| Units issued during the period | - | - | - | 18,456,183 | 2,216,178 | 20,672,361 | 444,265 | 17,958,612 |
| Amount redeemed during the period (Rs in '000) | - | - | - | 288,000 | 4,000 | 292,000 | 21,520 | 91,768 |
| Units redeemed during the period | - | - | - | 5,696,934 | 79,458 | 5,776,392 | 444,265 | 17,958,612 |



| | For the period ended June 30, 2017 | | | | | | | From July 01, 2016 to October 27, 2016 | From July 01, 2016 to March 24, 2017 | |
|---|------------------------------------|------------|--------------|-----------|-----------|------------|-----------|--|--|-------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | | |
| Al Meezan Investment Management Limited - Management Company | | | | | | | | | | |
| Remuneration for the period (Rs in '000) | 187 | 171 | 156 | 66 | 110 | 130 | 114 | 934 | 83 | 93 |
| Sindh Sales Tax on management fee (Rs in '000) | 24 | 22 | 20 | 9 | 14 | 17 | 15 | 121 | 11 | 12 |
| Allocated expense (Rs in '000) | 633 | 502 | 443 | 1,399 | 1,033 | 3,160 | 939 | 8,109 | 535 | 2,337 |
| Amount invested during the period (Rs in '000) | | | 32 | | 1,112 | 4,879 | | 6,023 | | |
| Units issued during the period | | | 358 | | 13,270 | 58,729 | | 72,357 | 480,509 | |
| Amount Redeemed during the period (Rs in '000) | | | | | | | | | 163,595 | |
| Units Redeemed during the period | | | | | | | | | 3,271,894 | |
| Dividend paid (Rupees in '000) | - | - | 32 | - | 1,112 | 4,879 | - | 6,023 | - | - |
| Bonus issue (Rupees in '000) | | | | | | | | | 25,290 | |
| Meezan Bank Limited | | | | | | | | | | |
| Profit on saving account (Rs in '000) | 229 | 363 | 325 | 171 | 277 | 303 | 326 | 1,994 | 799 | 705 |
| Central Depository Company of Pakistan Limited - Trustee | | | | | | | | | | |
| Trustee fee for the period (Rs in '000) | 489 | 388 | 343 | 1,082 | 799 | 2,444 | 726 | 6,271 | 413 | 1,801 |
| Sindh Sales Tax on Trustee Fee (Rs in '000) | 64 | 50 | 45 | 141 | 104 | 318 | 94 | 816 | 54 | 234 |
| Directors and Executives of the Management Company | | | | | | | | | | |
| Amount invested during the period (Rs in '000) | 142 | 100 | 100 | 7 | | | | 349 | 205 | 2,233 |
| Units issued during the period | 1,601 | 1,321 | 1,488 | 98 | - | - | - | 4,508 | 3,902 | 42,423 |
| Amount redeemed during the period (Rs in '000) | 2,270 | 974 | 846 | | | | | 4,090 | 1,328 | 17,713 |
| Units redeemed during the period | 28,114 | 13,305 | 12,898 | - | - | - | - | 54,317 | 26,569 | 354,263 |
| Meezan Islamic Fund | | | | | | | | | | |
| Amount invested during the period (Rs in '000) | 543,436 | 347,116 | 176,869 | 309,718 | 205,987 | 576,769 | 399,360 | 2,559,255 | 109,000 | 530,000 |
| Units issued during the period | 6,721,531 | 4,394,776 | 2,278,036 | 3,991,012 | 2,714,754 | 7,547,389 | 5,484,869 | 33,132,367 | 1,605,687 | 7,515,588 |
| Amount redeemed during the period (Rs in '000) | 464,902 | 368,123 | 167,745 | 511,000 | 275,000 | 838,500 | 126,000 | 2,751,270 | 1,164,107 | 1,792,374 |
| Units redeemed during the period | 5,708,399 | 4,487,555 | 2,056,473 | 6,751,382 | 3,688,964 | 11,334,478 | 1,510,915 | 35,538,166 | 16,286,137 | 22,906,688 |
| Dividend received (Rupees in '000) | 26,872 | 13,336 | 6,345 | 63,001 | 50,987 | 133,769 | 42,360 | 336,669 | | |
| Meezan Sovereign Fund | | | | | | | | | | |
| Amount invested during the period (Rs in '000) | 256,802 | 338,173 | 483,620 | 341,703 | 266,210 | | | 1,686,508 | 325,780 | 2,889,385 |
| Units issued during the period | 4,865,600 | 6,412,217 | 9,234,583 | 6,675,654 | 5,194,921 | - | - | 32,412,975 | 6,310,639 | 55,963,749 |
| Amount redeemed during the period (Rs in '000) | 400,088 | 535,078 | 721,162 | 463,264 | 236,767 | | | 2,356,359 | 952,546 | 4,934,996 |
| Units redeemed during the period | 7,514,623 | 10,052,162 | 13,588,821 | 8,778,344 | 4,191,517 | - | - | 44,425,467 | 18,464,301 | 94,135,039 |
| Meezan Cash Fund | | | | | | | | | | |
| Amount invested during the period (Rs in '000) | 117,329 | 123,391 | 177,125 | 122,107 | 145,949 | 283,032 | 73,667 | 1,042,600 | 1,661,298 | 5,450,921 |
| Units issued during the period | 2,228,076 | 2,343,328 | 3,362,999 | 2,340,409 | 2,823,075 | 5,397,053 | 1,406,135 | 19,901,075 | 32,708,833 | 105,603,792 |
| Amount redeemed during the period (Rs in '000) | 18,858 | 16,119 | 16,941 | 24,217 | 66,394 | 273,898 | - | 415,427 | 1,667,262 | 5,477,099 |
| Units redeemed during the period | 359,359 | 315,296 | 328,489 | 463,492 | 1,248,112 | 5,397,053 | | 8,111,801 | 32,755,648 | 105,603,792 |
| Dividend received (Rupees in '000) | 5,067 | 5,872 | 8,374 | 4,894 | 4,107 | 12,032 | 3,667 | 44,013 | - | - |

| | For the period ended June 30, 2017 | | | | | | | From July 01, 2016 to October 27, 2016 | From July 01, 2016 to March 24, 2017 | |
|--|------------------------------------|-----------|--------------|-----------|-----------|------------|------------|--|--------------------------------------|-----------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | Total | MCPP-I | MCPP-II |
| (Rupees in '000) | | | | | | | | | | |
| AI Meezan Mutual Fund | | | | | | | | | | |
| Amount invested during the period (Rs in '000) | | | | 3,263 | 17,952 | 74,765 | 95,980 | 66,000 | 60,000 | |
| Units issued during the period | - | - | - | 153,141 | - | 842,427 | 3,941,239 | 4,936,807 | 3,499,470 | 2,991,027 |
| Amount redeemed during the period (Rs in '000) | | | | | | | | 67,673 | 183,038 | |
| Units redeemed during the period | - | - | - | - | - | - | - | - | 3,499,470 | 7,903,203 |
| Dividend received | | | | 3,263 | 17,952 | 3,765 | 24,980 | | | |
| Meezan Islamic Income Fund | | | | | | | | | | |
| Amount invested during the period (Rs in '000) | 117,237 | 122,733 | 176,034 | 357,569 | 190,681 | 1,079,303 | 575,084 | 2,618,641 | | |
| Units issued during the period | 2,195,497 | 2,299,065 | 3,299,619 | 6,726,576 | 3,583,861 | 20,823,970 | 11,142,025 | 50,070,633 | | |
| Amount redeemed during the period (Rs in '000) | 18,826 | 16,071 | 16,870 | 352,938 | 275,419 | 1,120,962 | 669,492 | 2,470,578 | | |
| Units redeemed during the period | 361,689 | 308,938 | 321,796 | 6,726,576 | 5,253,864 | 21,231,840 | 12,828,462 | 47,033,165 | - | - |
| Dividend received | 4,976 | 5,213 | 7,283 | 5,943 | 4,044 | 8,115 | 1,079 | 36,653 | - | - |
| KSE Meezan Index Fund | | | | | | | | | | |
| Amount invested during the period (Rs in '000) | - | - | - | 33,636 | - | - | - | 33,636 | - | - |
| Units issued during the period | | | | 348,329 | | | | 348,329 | | |
| Dividend received | - | - | - | 3,636 | - | - | - | 3,636 | - | - |

17. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

Risks managed and measured by the Fund are explained below:

17.1 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee. Market risk comprises of three types of risks: profit rate risk, currency risk, and price risk.

Market risk comprises of three types of risks: profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.



a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 0.008 million (2017: Rs. 0.0151 million).

b) Sensitivity analysis for fixed rate instruments

As at 30 June 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | As at January 11, 2018 / March 30, 2018/June 30, 2018 | | | | | |
|---|---|-------------------------------------|--|--------------------|---|-----------|
| | Effective yield / profit rate | Exposed to yield / profit rate risk | | | Not exposed to yield / profit rate risk | Total |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Balance with banks | 2.0% to 6.55% | 12,614 | - | - | 12,227 | 24,841 |
| Investments | | - | - | - | 2,435,963 | 2,435,963 |
| Receivable against conversion of units | | - | - | - | 70 | 70 |
| Receivable against sale of investments (net) | | - | - | - | 5,000 | 5,000 |
| Profit receivable on saving accounts with banks | | - | - | - | 98 | 98 |
| | | 12,614 | - | - | 2,453,358 | 2,465,972 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | - | - | 295 | 295 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 207 | 207 |
| Payable to Meezan Bank Limited | | - | - | - | 18 | 18 |
| Payable on redemption and conversion of units | | - | - | - | 4,848 | 4,848 |
| Dividend Payable | | - | - | - | - | - |
| Accrued expenses and other liabilities | | - | - | - | 599 | 599 |
| | | - | - | - | 5,967 | 5,967 |
| On-balance sheet gap | | 12,614 | - | - | 2,447,391 | 2,460,005 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - | - |
| Total profit rate sensitivity gap | | 12,614 | - | - | - | - |
| Cumulative profit rate sensitivity gap | | 12,614 | 12,614 | 12,614 | - | - |

| As at October 27, 2016 / March 24, 2017 / June 30, 2017 | | | | | |
|---|-------------------------------------|--|--------------------|---|------------|
| Effective yield / profit rate | Exposed to yield / profit rate risk | | | Not exposed to yield / profit rate risk | Total |
| | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Balance with banks | 2.0% to 2.40% | 5,083,540 | - | - | 5,090,527 |
| Investments | | | | 7,526,048 | 7,526,048 |
| Receivable against conversion of units | | - | - | 2,126 | 2,126 |
| Receivable against sale of investments (net) | | - | - | 88,275 | 88,275 |
| Profit accrued on balances with banks | | - | - | 1,549 | 1,549 |
| | | 5,083,540 | | 7,624,985 | 12,708,525 |
| Financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | | | 852 | 1,293 |
| Payable to Central Depository Company of Pakistan Limited Trustee | | | | 576 | 874 |
| Payable to Meezan Bank Limited | | - | - | 3 | 3 |
| Payable on redemption and conversion of units | | - | - | 110,683 | 110,683 |
| Dividend Payable | | - | - | 1,261 | 1,261 |
| Accrued expenses and other liabilities | | - | - | 362 | 533 |
| | | - | - | 113,737 | 114,647 |
| On-balance sheet gap | | 5,083,540 | | 7,511,248 | 12,593,878 |
| Off-balance sheet financial instruments | | | | | |
| Off-balance sheet gap | | | | | |
| | | - | - | - | - |
| Total profit rate sensitivity gap | | 5,083,540 | - | - | - |
| Cumulative profit rate sensitivity gap | | 5,083,540 | 5,083,540 | 5,083,540 | |

17.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

17.1.2 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

17.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.





The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

An analysis of the Fund's liabilities into relevant maturity grouping is tabulated below:

| | Maturity upto | | | | | 2018 |
|---|----------------|---|--|-------------------|--|------------------|
| | One month | More than one month and upto three months | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 24,841 | - | - | - | - | 24,841 |
| Investments | - | - | - | - | 2,435,963 | 2,435,963 |
| Receivable against conversion of units | 70 | - | - | - | - | 70 |
| Receivable against sale of investments - net | 5,000 | - | - | - | - | 5,000 |
| Profit receivable on saving accounts with banks | 98 | - | - | - | - | 98 |
| | 30,009 | - | - | - | 2,435,963 | 2,465,972 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 295 | - | - | - | - | 295 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 207 | - | - | - | - | 207 |
| Payable to Meezan Bank Limited | 18 | - | - | - | - | 18 |
| Payable on redemption and conversion of units | 4,848 | - | - | - | - | 4,848 |
| Dividend payable | - | - | - | - | - | - |
| Accrued expenses and other liabilities | - | 284 | 315 | - | - | 599 |
| | 5,368 | 284 | 315 | - | - | 5,967 |
| | 24,641 | (284) | (315) | - | 2,435,963 | 2,460,005 |
| (Rupees in '000) | | | | | | |
| Maturity upto | | | | | | |
| | | | | | | 2017 |
| | One month | More than one month and upto three months | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 45,453 | - | - | - | - | 45,453 |
| Investments | - | - | - | - | 7,526,048 | 7,526,048 |
| Preliminary expenses and floatation cost | 157 | - | - | - | - | 157 |
| Receivable against conversion of units | 2,126 | - | - | - | - | 2,126 |
| Receivable against sale of investments - net | 88,275 | - | - | - | - | 88,275 |
| Profit receivable on saving accounts with banks | 212 | - | - | - | - | 212 |
| | 136,223 | - | - | - | 7,526,048 | 7,662,271 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 852 | - | - | - | - | 852 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 576 | - | - | - | - | 576 |
| Payable to MBL | 3 | - | - | - | - | 3 |
| Payable on redemption and conversion of units | 110,683 | - | - | - | - | 110,683 |
| Dividend payable | 1,261 | - | - | - | - | 1,261 |
| Accrued expenses and other liabilities | - | 127 | 235 | - | - | 362 |
| | 113,375 | 127 | 235 | - | - | 113,737 |
| | 22,848 | (127) | (235) | - | 7,526,048 | 7,548,534 |

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

17.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

The maximum exposure to credit risk as at June 30, 2018 and 2017 is tabulated below:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| (Rupees in '000) | | | | |
| FINANCIAL ASSETS | | | | |
| Balances with banks | 24,841 | 24,841 | 45,453 | 45,453 |
| Investments | 2,435,963 | - | 7,526,048 | - |
| Preliminary expenses and floatation cost | - | - | 157 | - |
| Receivable against conversion of units | 70 | 70 | 2,126 | 2,126 |
| Receivable against sale of investments (net) | 5,000 | - | 88,275 | - |
| Profit receivable on saving accounts | 98 | 98 | 212 | 212 |
| | 2,465,972 | 25,009 | 7,662,271 | 47,791 |

17.3.1 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

| | As at June 30, 2018 | | As at June 30, 2017 | |
|------------------|---------------------|---------------|---------------------|--------------|
| | (Rs. in '000) | (Percentage) | (Rs. in '000) | (Percentage) |
| (Rupees in '000) | | | | |
| AA+ | 351 | 0.96 | 1,499 | 0.03 |
| AA+ | 35,837 | 97.93 | 5,088,644 | 99.96 |
| AA- | 405 | 1.11 | 45 | - |
| A+ | - | - | 339 | 0.01 |
| | 36,593 | 100.00 | 5,090,527 | 100 |

None of the financial assets were considered to be past due or impaired as on June 30, 2018.

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

18. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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



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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | | 2017 | | |
|--------------------------------------|------------------|-----------------------------|---------|------------------|-----------------------------|---------|
| | Level 1 | Level 2 (Rupees in '000) | Level 3 | Level 1 | Level 2 (Rupees in '000) | Level 3 |
| Financial assets | | | | | | |
| At fair value through profit or loss | 2,435,963 | - | - | 7,526,048 | - | - |
| | 2,435,963 | - | - | 7,526,048 | - | - |

20. PERFORMANCE TABLE

| | As at June 30, 2018 | | | | | As at January 11, 2018 | As at March 30, 2018 |
|---|---------------------|----------|--------------|---------|---------|------------------------------|----------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-IV | MAAP-II | MAAP-III |
| | (Rupees in '000) | | | | | | |
| Net assets (Rs. '000) | 496,787 | 309,095 | 290,468 | 828,914 | 507,737 | 690,000 | 2,190,151 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (Ex Distribution) | 70.2849 | 67.1319 | 65.2685 | 58.6014 | 46.8987 | 50.0000 | 50.0000 |
| Offer price per unit as at June 30 (Rs.) | 71.8733 | 68.2698 | 66.0060 | - | - | - | - |
| Highest offer price per unit (Rs.) | 82.6000 | 73.7900 | 67.4108 | - | - | - | - |
| Lowest offer price per unit (Rs.) | 67.9700 | 65.2900 | 63.8400 | - | - | - | - |
| Highest redemption price per unit (Rs.) | 80.7650 | 72.5565 | 66.6576 | 63.7894 | 54.9107 | 63.0260 | 62.4453 |
| Lowest redemption price per unit (Rs.) | 66.4745 | 64.1885 | 63.1311 | 56.7165 | 44.1816 | 50.0000 | 50.0000 |
| Distribution (%) | - | - | - | - | - | - | - |
| Dates of distribution (Interim) | - | - | - | - | - | - | - |
| Average return (%) | -12.00% | -6.80% | -1.60% | -6.10% | -13.80% | -14.20% | -12.60% |

| | As at June 30, 2017 | | | | | | | As at October 27, 2016 | As at March 24, 2017 |
|---|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------------------|----------------------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | MCPPI-I | MCPPI-II |
| | (Rupees in '000) | | | | | | | | |
| Net assets (Rs. '000) | 622,134 | 407,809 | 413,397 | 1,251,312 | 977,977 | 2,922,541 | 860,244 | 1,656,710 | 3,324,132 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (Ex Distribution) | 79.83 | 72.04 | 66.33 | 62.41 | 62.40 | 61.87 | 54.42 | 50.00 | 50.00 |
| Offer price per unit as at June 30 (Rs.) | 81.63 | 73.26 | 67.08 | - | - | - | - | - | - |
| Highest offer price per unit (Rs.) | 95.33 | 79.84 | 69.21 | - | - | - | 53.18 | - | - |
| Lowest offer price per unit (Rs.) | 73.79 | 65.66 | 61.02 | - | - | - | 49.33 | - | - |
| Highest redemption price per unit (Rs.) | 93.22 | 78.51 | 68.44 | 62.41 | 71.52 | 70.83 | 63.10 | 60.07 | 57.20 |
| Lowest redemption price per unit (Rs.) | 71.89 | 64.38 | 60.22 | 54.27 | 53.46 | 52.73 | 47.45 | 50.00 | 50.00 |
| Distribution (%) | 12.00 | 4.00 | 0.60 | 3.60 | 4.50 | 3.80 | 4.40 | - | - |
| Dates of distribution (Interim) | June 29, 2017 | June 29, 2017 | June 29, 2017 | June 29, 2017 | June 29, 2017 | June 29, 2017 | June 29, 2017 | - | - |
| Average return (%) | 16.90% | 13.30% | 9.70% | 19% | 18% | 18% | 16.90% | - | - |

| | As at June 30, 2016 | | | | | | | | |
|--|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | |
| Net assets (Rs. '000) | 442,868 | 366,601 | 326,656 | 1,277,906 | 925,227 | 2,851,007 | 531,933 | 1,575,646 | 3,034,634 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (Ex Distribution) | 73.37 | 65.32 | 60.71 | 54.03 | 54.75 | 54.03 | 48.42 | 55.64 | 50.73 |
| Offer price per unit as at June 30 (Rs.) | 75.31 | 66.62 | 61.51 | - | - | - | 50.34 | - | - |
| Highest offer price per unit (Rs.) | 82.39 | 75.72 | 67.71 | 52.40 | 52.66 | 54.06 | 53.18 | - | - |
| Lowest offer price per unit (Rs.) | 68.40 | 64.90 | 61.02 | 50.13 | 51.98 | 50.68 | 49.33 | - | - |
| Highest redemption price per unit (Rs.) | 80.27 | 72.29 | 66.83 | 56.50 | 58.10 | 57.43 | 51.15 | 60.07 | 53.72 |
| Lowest redemption price per unit (Rs.) | 67.61 | 63.64 | 60.22 | 46.30 | 47.86 | 48.75 | 47.45 | 53.14 | 49.56 |
| Distribution (%) | 12.00 | 12.50 | 11.80 | 3.60 | 5.30 | 5.40 | 3.9 | 7.8 | 5.4 |
| Dates of distribution (annua) | June 24, 2016 | June 24, 2016 | June 24, 2016 | June 24, 2016 | June 24, 2016 | June 24, 2016 | June 24, 2016 | June 24, 2016 | June 24, 2016 |
| Average return (%) | 13.30% | 11.30% | 8.70% | 11.70% | 14.80% | 13.50% | 0.70% | 10.50% | 6.50% |

| | As at June 30, 2015 | | | | | | | | |
|--|---------------------|----------|--------------|--------|---------|----------|---------|--------------|--------------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | |
| Net assets (Rs. '000) | 356,415 | 320,046 | 237,421 | - | - | - | - | 1,590,238 | 3,081,799 |
| Net assets value / redemption price per unit as at June 30 (Rs.) (Ex Distribution) | 70.06 | 64.29 | 61.27 | - | - | - | - | 53.89 | 50.17 |
| Offer price per unit as at June 30 (Rs.) | 71.93 | 65.59 | 62.09 | - | - | - | - | - | - |
| Highest offer price per unit (Rs.) | 72.80 | 66.02 | 62.19 | - | - | - | - | 52.57 | 52.9 |
| Lowest offer price per unit (Rs.) | 59.41 | 56.32 | 55.93 | - | - | - | - | - | - |
| Highest redemption price per unit (Rs.) | 70.91 | 64.72 | 61.37 | - | - | - | - | 55.89 | 50.86 |
| Lowest redemption price per unit (Rs.) | 57.87 | 55.22 | 55.19 | - | - | - | - | 48.46 | 47.26 |
| Distribution (%) | - | - | - | - | - | - | - | 0.04 | 0.1 |
| Dates of distribution (annua) | - | - | - | - | - | - | - | July 3, 2015 | July 3, 2015 |
| Average return (%) | 16.50% | 13.60% | 10.10% | - | - | - | - | 7.80% | 0.40% |

| | As at June 30, 2014 | | | | | | | | |
|---|---------------------|--------------|--------------|--------|---------|----------|---------|--------|---------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | |
| Net assets (Rupees in '000) | 330,020 | 255,369 | 341,276 | - | - | - | - | - | - |
| Net assets value / redemption price per unit as at June 30 (Rupees) (Ex Distribution) | 60.16 | 56.62 | 55.68 | - | - | - | - | - | - |
| Offer price per unit as at June 30 (Rupees) | 61.78 | 57.76 | 56.43 | - | - | - | - | - | - |
| Highest offer price per unit (Rupees) | 65.66 | 61.21 | 58.10 | - | - | - | - | - | - |
| Lowest offer price per unit (Rupees) | 53.94 | 52.80 | 52.41 | - | - | - | - | - | - |
| Highest redemption price per unit (Rupees) | 63.94 | 60.00 | 57.33 | - | - | - | - | - | - |
| Lowest redemption price per unit (Rupees) | 52.51 | 51.76 | 51.71 | - | - | - | - | - | - |
| Distribution (%) | 8.50 | 7.80 | 4.10 | - | - | - | - | - | - |
| Dates of distribution (Interim) | May 30, 2014 | May 30, 2014 | May 30, 2014 | - | - | - | - | - | - |
| Growth distribution (Rupees in '000) | 20,628 | 15,181 | 12,372 | - | - | - | - | - | - |
| Total return (%) | 22.10% | 17.30% | 12.60% | - | - | - | - | - | - |

| | As at June 30, 2013 | | | | | | | | |
|---|---------------------|--------------|--------------|--------|---------|----------|---------|--------|---------|
| | Aggressive | Moderate | Conservative | MAAP-I | MAAP-II | MAAP-III | MAAP-IV | MCPP-I | MCPP-II |
| | (Rupees in '000) | | | | | | | | |
| Net assets (Rupees in '000) | 255,094 | 158,438 | 285,393 | - | - | - | - | - | - |
| Net assets value / redemption price per unit as at June 30 (Rupees) (Ex Distribution) | 52.79 | 51.61 | 51.28 | - | - | - | - | - | - |
| Offer price per unit as at June 30 (Rupees) | 54.22 | 52.65 | 51.97 | - | - | - | - | - | - |
| Highest offer price per unit (Rupees) | 57.88 | 55.39 | 53.08 | - | - | - | - | - | - |
| Lowest offer price per unit (Rupees) | 50.39 | 50.84 | 50.33 | - | - | - | - | - | - |
| Highest redemption price per unit (Rupees) | 56.35 | 54.29 | 52.38 | - | - | - | - | - | - |
| Lowest redemption price per unit (Rupees) | 49.05 | 49.83 | 49.67 | - | - | - | - | - | - |
| Distribution (%) | 3.40 | 3.30 | 1.20 | - | - | - | - | - | - |
| Dates of distribution (annua) | July 8, 2013 | July 8, 2013 | July 8, 2013 | - | - | - | - | - | - |
| Growth distribution (Rupees in '000) | 7,595 | 4,908 | 3,301 | - | - | - | - | - | - |
| Total return (%) | 9.0% | 6.50% | 3.80% | - | - | - | - | - | - |





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

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

21. INVESTMENT COMMITTEE MEMBERS

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

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

21.2 The Fund Manager of this Fund is Mr. Ahmed Hasan. Other Funds being managed by the Fund Manager are:

- Al Meezan Mutual Fund
- Meezan Asset Allocation Fund

22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | - | - | - | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | - |
| Ms. Saima Kamila Khan ** | Director | - | - | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | - | - | - |
| Mazhar Sharif *** | Director | Yes | Yes | - | - | - |
| Mr. Naeem Sattar *** | Director | - | - | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

23. PATTERN OF UNITHOLDING

AGGRESSIVE

| | As at June 30, 2018 | | | As at June 30, 2017 | | |
|------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) | |
| Individuals | 563 | 168,517 | 33.92 | 497 | 260,415 | 41.86 |
| Retirement funds | 5 | 103,062 | 20.75 | 4 | 105,911 | 17.02 |
| Others | 5 | 225,208 | 45.33 | 5 | 255,808 | 41.12 |
| Total | 573 | 496,787 | 100.00 | 506 | 622,134 | 100.00 |

MODERATE

| | As at June 30, 2018 | | | As at June 30, 2017 | | |
|---------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) | |
| Individuals | 368 | 202,186 | 65.41 | 356 | 278,936 | 68.40 |
| Insurance companies | 1 | 30,028 | 9.71 | - | - | - |
| Retirement funds | 3 | 12,845 | 4.16 | 3 | 39,894 | 9.78 |
| Others | 6 | 64,036 | 20.72 | 9 | 88,979 | 21.82 |
| Total | 378 | 309,095 | 100.00 | 368 | 407,809 | 100.00 |

CONSERVATIVE

| | As at June 30, 2018 | | | As at June 30, 2017 | | |
|--------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) | |
| Individuals | 306 | 202,578 | 69.74 | 292 | 335,229 | 81.09 |
| Associated company | 1 | 6,917 | 2.38 | 1 | 7,029 | 1.70 |
| Retirement funds | 6 | 75,748 | 26.08 | 2 | 71,139 | 17.21 |
| Others | 4 | 5,225 | 1.80 | - | - | - |
| Total | 317 | 290,468 | 100.00 | 295 | 413,397 | 100.00 |

MAAP-I

| | As at June 30, 2018 | | | As at June 30, 2017 | | |
|---------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) | |
| Individual | 311 | 320,204 | 38.63 | 424 | 548,601 | 43.84 |
| Director | - | - | - | 1 | 256 | 0.02 |
| Retirement funds | 8 | 179,959 | 21.71 | 12 | 325,426 | 26.01 |
| Insurance Companies | - | - | - | 2 | 19,516 | 1.56 |
| Others | 11 | 328,751 | 39.66 | 7 | 357,512 | 28.57 |
| Total | 330 | 828,914 | 100.00 | 446 | 1,251,311 | 100.00 |





MAAP-IV

| | As at June 30, 2018 | | | As at June 30, 2017 | | |
|------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) |
| Individual | 153 | 238,372 | 46.95 | 210 | 512,337 | 59.56 |
| Retirement funds | 7 | 227,331 | 44.77 | 8 | 299,127 | 34.77 |
| Others | 2 | 42,034 | 8.28 | 2 | 48,779 | 5.67 |
| Total | 162 | 507,737 | 100.00 | 220 | 860,243 | 100.00 |

MAAP-II

| | As at January 11, 2018 | | | As at June 30, 2017 | | |
|---------------------|------------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) |
| Individual | 237 | 264,368 | 38.32 | 288 | 391,073 | 39.99 |
| Retirement funds | 11 | 209,202 | 30.32 | 13 | 320,499 | 32.77 |
| Insurance Companies | - | - | - | 1 | 12,940 | 1.32 |
| Associated company | 1 | 27,072 | 3.92 | 1 | 31,661 | 3.24 |
| Others | 4 | 189,338 | 27.44 | 5 | 221,804 | 22.68 |
| Total | 253 | 690,000 | 100.00 | 308 | 977,977 | 100.00 |

MAAP-III

| | As at March 30, 2018 | | | As at June 30, 2017 | | |
|---------------------|----------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) |
| Individual | 491 | 773,793 | 35.33 | 605 | 1,244,300 | 42.58 |
| Retirement funds | 32 | 974,344 | 44.49 | 37 | 1,154,290 | 39.50 |
| Associated company | 3 | 50,587 | 2.31 | 1 | 162,529 | 5.55 |
| Insurance Companies | 1 | 141,560 | 6.46 | 3 | 58,080 | 1.99 |
| Others | 9 | 249,867 | 11.41 | 12 | 303,343 | 10.38 |
| Total | 536 | 2,190,151 | 100.00 | 658 | 2,922,542 | 100.00 |

24. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

25. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 09, 2018 by the Board of Directors of the Management Company.

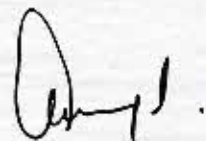
26. GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**





Meezan
Financial Planning
Fund of Funds





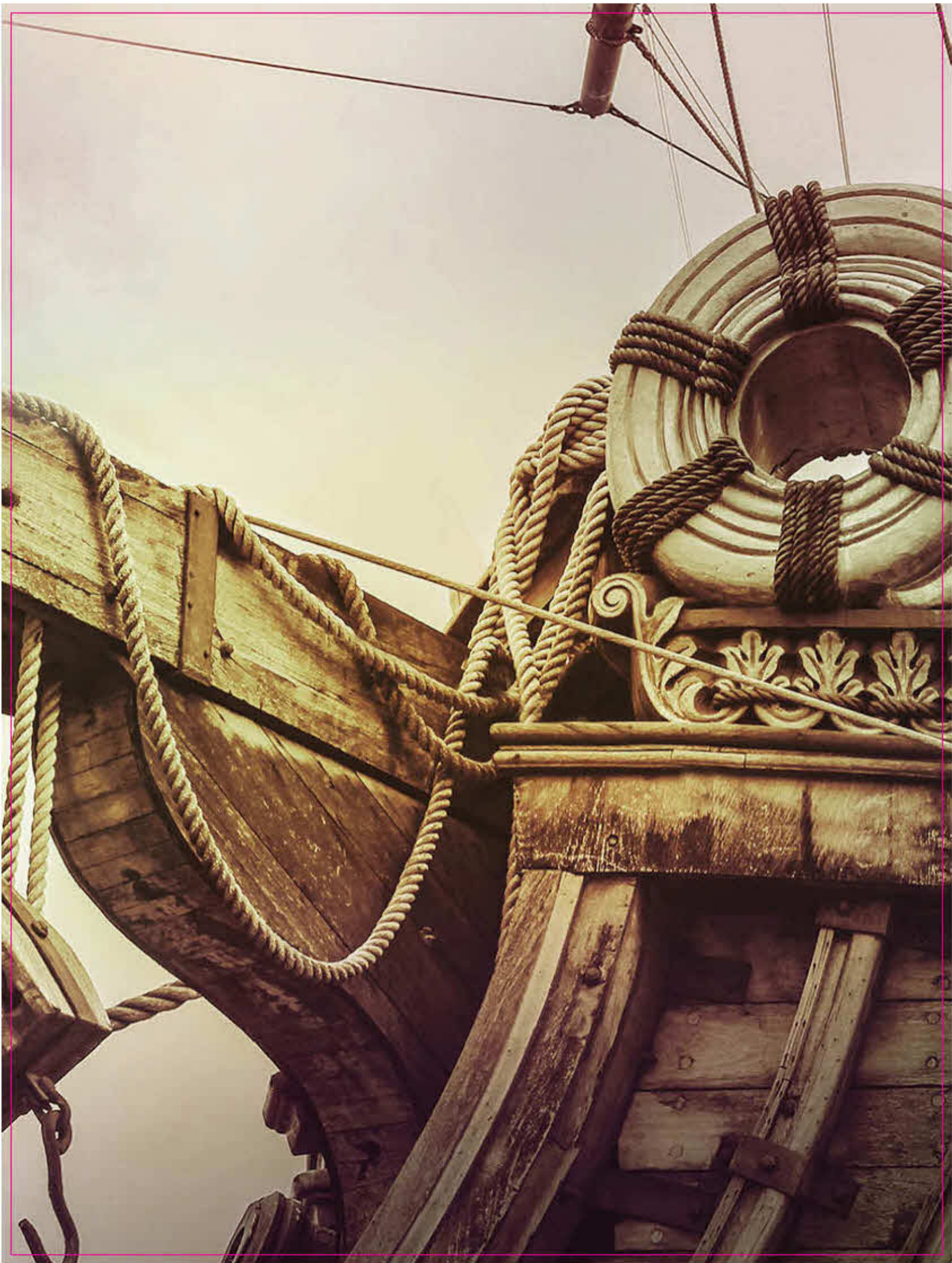
Meezan

Strategic Allocation Fund

MEEZAN STRATEGIC ALLOCATION FUND (MSAF)

Meezan Strategic Allocation Fund is a Shariah compliant scheme which will use active asset allocation strategy for providing competitive returns on your investment. It is a unique asset allocation fund for investors who wish to benefit from the equity market and want an actively managed investment portfolio with diversification.





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoaib, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Salima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | Member |
| Mr. Mohammad Shoaib, CFA | Member |

TRUSTEE

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

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Meezan Bank Limited
Habib Metropolitan Bank Limited - Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Type of Fund

MSAF is a perpetual Shariah Compliant (Islamic) Fund of Funds Scheme.

Objective

The fund aims to generate returns on Investments as per respective Allocation Plans by investing in Shariah Compliant Fixed Income and Equity Mutual Funds in line with risk/return preference of the investor.

Strategy and Investment Policy

MSAF has six Allocation Plans which allow investors to invest according to their risk tolerance levels.

These are closed end Plans which are suitable for Investors having a relatively moderate risk tolerance and/or wish to earn a relatively higher return over the medium term. These can switch exposure between Shariah compliant equity and fixed income mutual funds without any minimum or maximum limits, subject to expectations regarding the market performance.

In line with these different allocation plans, the benchmarks are also a weighted average combination of KSE Meezan Index 30 and Fixed Income/Money Market Schemes performance, according to the invested percentages in both the asset classes.

| | |
|--|--|
| Meezan Strategic Allocation Plan - I | Weighted avg. return of KMI 30 Index and Fixed Income/ Money Market Scheme as per actual allocation. |
| Meezan Strategic Allocation Plan - II | |
| Meezan Strategic Allocation Plan - III | |
| Meezan Strategic Allocation Plan - IV | |
| Meezan Strategic Allocation Plan - V | |
| Meezan Strategic Allocation Plan - MCPP-III | |

Performance Table with Benchmark

| | Returns - FY18 |
|---------------|----------------|
| MSAP I# | -12.78% |
| Benchmark | -7.13% |
| MSAP II## | -12.83% |
| Benchmark | -7.17% |
| MSAP III### | -13.09% |
| Benchmark | -7.01% |
| MSAP IV#### | -11.91% |
| Benchmark | -6.43% |
| MSAP V##### | -2.52% |
| Benchmark | 2.75% |
| MCPP III##### | 0.19% |
| Benchmark | -0.42% |

The Plan was launched on October 19, 2016

The Plan was launched on December 22, 2016

The Plan was launched on February 20, 2017

The Plan was launched on April 24, 2017

The Plan was launched on Aug 15, 2017

The Plan was launched on December 19, 2017

Meezan Strategic Allocation Plan - I

The Meezan Strategic Allocation Plan - I posted a total loss of Rs. 315 million in FY18 as compared to total income of Rs. 180 million from the period October 19, 2016 to June 30, 2017 as the Plan was launched on October 19, 2016. Total loss comprised of realized and unrealized losses on investments of Rs. 128 million and Rs. 192 million respectively while profit on saving accounts with bank contributed Rs. 0.2 million to total income. After accounting for expenses of Rs. 7 million, the Fund posted a net loss of Rs. 322 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,945 million as compared to Rs. 2,629 million at the end of last year depicting a decline of 26.01%.

Meezan Strategic Allocation Plan - II

The Meezan Strategic Allocation Plan - II posted a total loss of Rs. 202 million in FY18 as compare to a total loss of Rs. 52 million from the period December 22, 2016 to June 30, 2017 as the Plan was launched on December 22, 2016. Total loss comprised of realized and unrealized losses on investments of Rs. 51 million and Rs. 153 million respectively while profit on saving account with bank contributed Rs. 0.09 million. After accounting for expenses of Rs. 4 million, the Fund posted a net loss of Rs. 206 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,289 million as compared to Rs. 1,662 million at the end of last year depicting a decline of 22.44%.

Meezan Strategic Allocation Plan - III

The Meezan Strategic Allocation Plan - III posted a total loss of Rs. 221 million in FY18 as compared to a total loss of Rs. 62 million from the period February 20, 2017 to June 30, 2017 as the Plan was launched on February 20, 2017. Total loss comprised of realized and unrealized losses on investments of Rs. 52 million and Rs. 170 million respectively. After accounting for expenses of Rs. 5 million, the Fund posted a net loss of Rs. 226 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,423 million as compared to Rs. 1,766 million at the end of last year depicting a decline of 19.42%.

Meezan Strategic Allocation Plan - IV

The Meezan Strategic Allocation Plan - IV posted a total loss of Rs. 226 million in FY18 as compared to a total loss of Rs. 45 million from April 24, 2017 to June 30, 2017 as the Plan was launched on April 24, 2017. Total loss comprised of realized and unrealized losses on investments of Rs. 57 million and Rs. 171 million respectively. After accounting for expenses of Rs. 6 million, the Fund posted a net loss of Rs. 231 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,666 million as compared to Rs. 1,973 million at the end of last year depicting a decline of 15.56%.

Meezan Strategic Allocation Plan - V

The Meezan Strategic Allocation Plan - V posted a total loss of Rs. 6 million from the period August 15, 2017 to June 30, 2018 as the Plan was launched on August 15, 2017. Total loss comprised of unrealized loss on investments of Rs. 12 million while the realized gain and profit on saving account with banks amounted to Rs. 6 million and Rs. 1 million respectively. After accounting for expenses of Rs. 1 million, the Fund posted a net loss of Rs. 7 million. The net assets of the Fund as at June 30, 2018 were Rs. 521 million.

Meezan Strategic Allocation Plan - MCPP III

The Meezan Capital Preservation Plan III posted a total loss of Rs. 0.33 million from the period December 19, 2017 to June 30, 2018 as the Plan was launched on December 19, 2017. Total loss comprised of realized loss on investments of Rs. 13 million while the unrealized gain and profit on saving account with banks amounted to Rs. 12 million and Rs. 1 million respectively. After accounting for expenses of Rs. 2 million, the Fund posted a net loss of Rs. 2 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,365 million.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.

Breakdown of unit holdings by size

(As on June 30, 2018)

| Range (Units) | Breakdown of unit holdings by size | | | | | |
|-------------------|------------------------------------|------------|------------|------------|------------|------------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPP-III |
| | No. of investors | | | | | |
| 1 - 9,999 | 323 | 378 | 197 | 213 | 137 | 553 |
| 10,000 - 49,999 | 335 | 224 | 221 | 205 | 90 | 268 |
| 50,000 - 99,999 | 80 | 54 | 68 | 54 | 25 | 58 |
| 100,000 - 499,999 | 83 | 29 | 58 | 59 | 17 | 41 |
| 500,000 and above | 12 | 13 | 5 | 9 | 4 | 4 |
| Total | 833 | 698 | 549 | 540 | 273 | 924 |





Meezan
Strategic Allocation Fund



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor – Meezan Strategic Allocation Fund

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

Alhamdulillah, the period from July 1, 2017 to June 30, 2018 was the second year of operations of Meezan Strategic Allocation Fund (MSAF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MSAF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSAF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSAF for the year ended June 30, 2018 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shari'ah Advisor

Meezan Bank Ltd.

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN STRATEGIC ALLOCATION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Strategic Allocation Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





A.F.FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Strategic Allocation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Strategic Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year/period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year/period then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|--|
| 1 | Amendments to NBFC Regulations, 2008 (Refer note 3.11 to the annexed financial statements) The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'. | We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income. We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations. |

All ✓

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|---|
| | <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.11.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p> | <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 8,197 million.</p> <p>The proper valuation of investments for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Alles



A·F·FERGUSON&CO.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

All: w





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We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statements of the Fund for the period ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.

Afferguson co
Chartered Accountants
Karachi

Date: September 19, 2018






STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

| | | June 30, 2018 | | | | | | |
|---|--------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPI-III | Total | |
| (Rupees in '000) | | | | | | | | |
| Assets | | | | | | | | |
| Balances with banks | 4 | 9,147 | 1,707 | 2,158 | 6,740 | 5,090 | 2,939 | 27,781 |
| Investments | 5 | 1,944,433 | 1,289,394 | 1,422,944 | 1,660,700 | 516,547 | 1,363,357 | 8,197,375 |
| Receivable against sale of investments - net | | - | - | - | 200 | - | 270 | 470 |
| Profit receivable | | 16 | 3 | 3 | 15 | 13 | 14 | 64 |
| Total assets | | 1,953,596 | 1,291,104 | 1,425,105 | 1,667,655 | 521,650 | 1,366,580 | 8,225,690 |
| Liabilities | | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 7 | 177 | 110 | 120 | 146 | 49 | 115 | 717 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 8 | 144 | 95 | 105 | 122 | 38 | 99 | 603 |
| Payable to Securities and Exchange Commission of Pakistan | 9 | 2,104 | 1,373 | 1,492 | 1,682 | 390 | 567 | 7,608 |
| Payable against redemption and conversion of units | | 983 | - | - | - | - | 478 | 1,461 |
| Accrued expenses and other liabilities | 10 | 4,726 | 181 | 177 | 200 | 61 | 150 | 5,495 |
| Total liabilities | | 8,134 | 1,759 | 1,894 | 2,150 | 538 | 1,409 | 15,884 |
| Net assets | | 1,945,462 | 1,289,345 | 1,423,211 | 1,665,505 | 521,112 | 1,365,171 | 8,209,806 |
| Unitholders' fund (as per statement attached) | | 1,945,462 | 1,289,345 | 1,423,211 | 1,665,505 | 521,112 | 1,365,171 | 8,209,806 |
| Contingencies and commitments | 11 | | | | | | | |
| Number of units in issue | | 44,201,217 | 29,952,689 | 33,875,099 | 38,986,286 | 10,691,441 | 27,251,554 | |
| Net asset value per unit | | 44.0138 | 43.0461 | 42.0135 | 42.7203 | 48.7410 | 50.0951 | |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

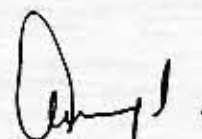
| | | June 30, 2017 | | | | | |
|--------------------|---|------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Note | | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total | |
| | | (Rupees in '000) | | | | | |
| Assets | | | | | | | |
| | Balances with banks | 4 | 9,497 | 2,172 | 278 | 252,575 | 264,522 |
| | Investments | 5 | 2,656,410 | 1,660,935 | 1,766,594 | 1,806,140 | 7,890,079 |
| | Receivable on conversion of units | | | 10 | | 10,450 | 10,460 |
| | Profit receivable | | 4 | 2 | 26 | 628 | 660 |
| | Advances and prepayments | 6 | 81 | 11 | 381 | - | 473 |
| | Total assets | | 2,665,992 | 1,663,130 | 1,767,279 | 2,069,793 | 8,166,194 |
| Liabilities | | | | | | | |
| | Payable to Al Meezan Investment Management Limited Management Company | 7 | 267 | 142 | 165 | 10,234 | 10,808 |
| | Payable to Central Depository Company of Pakistan Limited - Trustee | 8 | 199 | 124 | 132 | 87 | 542 |
| | Payable to Meezan Bank Limited | | | | | 5,446 | 5,446 |
| | Payable to Securities and Exchange Commission of Pakistan | 9 | 1,653 | 755 | 474 | 106 | 2,988 |
| | Payable against purchase of investments - net | | - | - | - | 54,993 | 54,993 |
| | Payable on redemption and conversion of units | | | 181 | | | 181 |
| | Dividend payable | | 75 | | | | 75 |
| | Accrued expenses and other liabilities | 10 | 35,122 | 78 | 51 | 25,677 | 60,928 |
| | Total liabilities | | 37,316 | 1,280 | 822 | 96,543 | 135,961 |
| | Net assets | | 2,628,676 | 1,661,850 | 1,766,457 | 1,973,250 | 8,030,233 |
| | Unitholders' fund (as per statement attached) | | 2,628,676 | 1,661,850 | 1,766,457 | 1,973,250 | 8,030,233 |
| | Contingencies and commitments | 11 | | | | | |
| | Number of units in issue | | 52,089,276 | 33,651,995 | 36,540,221 | 40,689,606 | |
| | Net assets value per unit | | 50.4600 | 49.3800 | 48.3400 | 48.4900 | |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director

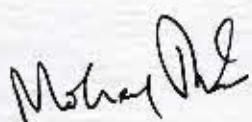


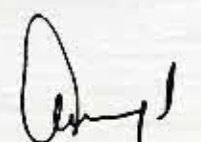
INCOME STATEMENT FOR THE YEAR / PERIOD ENDED JUNE 30, 2018

| Note | For the year ended June 30, 2018 | | | | | | Total |
|--|--|-----------|-----------|-----------|-----------|----------|--|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPIII | |
| | For the period from August 15, 2017 to June 30, 2018 | | | | | | For the period from December 19, 2017 to June 30, 2018 |
| | (Rupees in '000) | | | | | | |
| Income | | | | | | | |
| Profit on balances with banks | 198 | 85 | 21 | 339 | 515 | 488 | 1,646 |
| (Loss) / gain on sale of investment - net | (128,287) | (50,513) | (52,073) | (57,166) | 5,594 | (13,224) | (295,669) |
| Income from back end load | 5,400 | 1,469 | 1,050 | 2,264 | 556 | 199 | 10,938 |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial asset at fair value through profit or loss' | 5.1 | (192,390) | (153,048) | (169,886) | (171,071) | (12,358) | (686,542) |
| | | (315,277) | (202,092) | (220,909) | (225,973) | (6,208) | (971,273) |
| Total Loss | | (315,079) | (202,007) | (220,888) | (225,634) | (5,693) | (969,627) |
| Expenses | | | | | | | |
| Remuneration to AI Meezan Investment Management Limited - Management Company | 7.1 | 111 | 76 | 19 | 169 | 223 | 879 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 | 14 | 10 | 2 | 22 | 37 | 114 |
| Allocated expenses | 7.3 | 2,215 | 1,445 | 1,571 | 1,770 | 411 | 8,009 |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee | 8.1 | 1,731 | 1,129 | 1,228 | 1,383 | 321 | 6,257 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 225 | 147 | 160 | 180 | 42 | 814 |
| Annual fees to the Securities and Exchange Commission of Pakistan | | 2,104 | 1,373 | 1,492 | 1,682 | 390 | 7,608 |
| Auditors' remuneration | 12 | 112 | 93 | 112 | 115 | 27 | 524 |
| Fee and Subscription | | 170 | 57 | 119 | 74 | 13 | 452 |
| Printing expense | | 183 | 117 | 132 | 145 | 31 | 663 |
| Legal and professional charges | | 16 | 10 | 11 | 13 | 2 | 58 |
| Bank charges | | 12 | - | 6 | 7 | 5 | 43 |
| Total operating expenses | | 6,893 | 4,457 | 4,852 | 5,560 | 1,494 | 25,421 |
| Net loss for the year / period before taxation | | (321,972) | (206,464) | (225,740) | (231,194) | (7,187) | (995,048) |
| Taxation | 14 | - | - | - | - | - | - |
| Net loss for the year / period after taxation | | (321,972) | (206,464) | (225,740) | (231,194) | (7,187) | (995,048) |
| Allocation of net income for the year | | | | | | | |
| Net income for the year after taxation | | - | - | - | - | - | - |
| Income already paid on units redeemed | | - | - | - | - | - | - |
| | | - | - | - | - | - | - |
| Accounting income available for distribution | | | | | | | |
| - Relating to capital gains | | - | - | - | - | - | - |
| Excluding capital gains | | - | - | - | - | - | - |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR / PERIOD ENDED JUNE 30, 2018

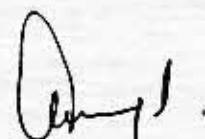
| | | For the period from October 19, 2016 to June 30, 2017 | For the period from December 22, 2016 to June 30, 2017 | For the period from February 20, 2017 to June 30, 2017 | For the period from April 24, 2017 to June 30, 2017 | Total |
|--|------|---|--|--|---|---------------|
| | Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| (Rupees in '000) | | | | | | |
| Income | | | | | | |
| Profit on balances with banks | | 812 | 539 | 560 | 742 | 2,653 |
| Dividend income | | 151,991 | 88,923 | 104,019 | 102,364 | 447,297 |
| Gain / (loss) on sale of investment - net | | 17,204 | 2,218 | (6,517) | (4,833) | 8,072 |
| Other income | | 630 | 835 | 170 | 89 | 1,724 |
| Net unrealised appreciation / (diminution) on re-measurement of investments classified as "financial asset at fair value through profit or loss" | 5.1 | 9,456 | (144,632) | (160,349) | (143,384) | (438,909) |
| | | 27,290 | (141,579) | (166,696) | (148,128) | (429,113) |
| Total income / (loss) | | 180,093 | (52,117) | (62,117) | (45,022) | 20,837 |
| Expenses | | | | | | |
| Remuneration to Al Meezan Investment Management Limited Management Company | 7.1 | 406 | 266 | 310 | 353 | 1,335 |
| Sindh Sales Tax on remuneration of the Management Company | 7.2 | 53 | 35 | 40 | 46 | 174 |
| Allocated expenses | 7.3 | 1,740 | 794 | 499 | 112 | 3,145 |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee | 8.1 | 1,414 | 636 | 393 | 88 | 2,531 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 184 | 82 | 51 | 11 | 328 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 9 | 1,653 | 755 | 474 | 106 | 2,988 |
| Auditors' remuneration | 12 | 178 | 62 | 26 | 5 | 271 |
| Fee and Subscription | | 155 | 61 | 25 | 4 | 245 |
| Printing expense | | 12 | 5 | | | 17 |
| Bank charges | | 15 | 3 | 9 | 12 | 39 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 10.1 | 4,481 | | | | 4,481 |
| Total expenses | | 10,291 | 2,699 | 1,827 | 737 | 15,554 |
| Net income / (loss) from operating activities | | 169,802 | (54,816) | (63,944) | (45,759) | 5,283 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (net) | 3.11 | 49,790 | 34,067 | 3,390 | (15,471) | 71,776 |
| Net income / (loss) for the period before taxation | | 219,592 | (20,749) | (60,554) | (61,230) | 77,059 |
| Taxation | 14 | | | | | |
| Net income / (loss) for the period after taxation | | 219,592 | (20,749) | (60,554) | (61,230) | 77,059 |
| Allocation of net income for the year | | | | | | |
| Net income for the year after taxation | | - | - | - | - | - |
| Income already paid on units redeemed | | - | - | - | - | - |
| Accounting income available for distribution | | | | | | |
| Relating to capital gains | | | | | | |
| Excluding capital gains | | | | | | |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





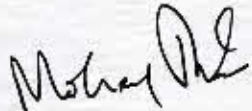
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR / PERIOD ENDED JUNE 30, 2018

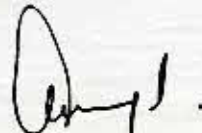
| | For the year ended June 30, 2018 | | | | | For the period from August 15, 2017 to June 30, 2018 | For the period from December 19, 2017 to June 30, 2018 |
|---|----------------------------------|------------------|------------------|------------------|----------------|--|--|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPI-III | Total |
| | (Rupees in '000) | | | | | | |
| Net loss for the year / period after taxation | (321,972) | (206,464) | (225,740) | (231,194) | (7,187) | (2,491) | (995,048) |
| Other comprehensive income for the period | - | - | - | - | - | - | - |
| Total comprehensive loss for the year / period | (321,972) | (206,464) | (225,740) | (231,194) | (7,187) | (2,491) | (995,048) |

| | For the period from October 19, 2016 to June 30, 2017 | For the period from October 19, 2016 to June 30, 2017 | For the period from February 20, 2017 to June 30, 2017 | For the period from April 24, 2017 to June 30, 2017 | Total |
|---|---|---|--|---|---------------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| | (Rupees in '000) | | | | |
| Net income / (loss) for the period after taxation | 219,592 | (20,749) | (60,554) | (61,230) | 77,059 |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income / (loss) for the period | 219,592 | (20,749) | (60,554) | (61,230) | 77,059 |

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

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR / PERIOD ENDED JUNE 30, 2018

| | June 30, 2018 MSAP - I (Rupees in '000) | | June 30, 2018 MSAP - II (Rupees in '000) | | June 30, 2018 MSAP - III (Rupees in '000) | | June 30, 2018 MSAP - IV (Rupees in '000) | | | | | |
|---|---|-----------------------------|--|-----------------------|---|-----------------------|--|-----------------------|----------------|-----------|-----------|-----------|
| | Capital Value | Un-distributed Income / Net | Capital Value | Un-distributed Income | Capital Value | Un-distributed Income | Capital Value | Un-distributed Income | | | | |
| Net assets at beginning of the year / period | 2,604,463 | 24,213 | 2,628,676 | 1,682,599 | 1,661,850 | 1,661,850 | 1,827,011 | 60,554 | 1,766,457 | 2,034,480 | (61,230) | 1,973,250 |
| Issuance of units: | - | - | - | - | - | - | - | - | - | - | - | - |
| MSAP - V: 10,979,760 units / MCPP ■: 275,161,187 units | - | - | - | - | - | - | - | - | - | - | - | - |
| - Capital value (at net asset value per unit at the beginning of the year / period) | - | - | - | - | - | - | - | - | - | - | - | - |
| - Element of (loss) / income | - | - | - | - | - | - | - | - | - | - | - | - |
| Total proceeds on issuance of units | - | - | - | - | - | - | - | - | - | - | - | - |
| Redemption of units: | - | - | - | - | - | - | - | - | - | - | - | - |
| MSAP - I: 7,888,059 units / MSAP - II: 3,699,306 units / MSAP - III: 2,665,122 units / MSAP - IV: 1,703,320 units / MSAP - V: 288,319 units, MCPP - II: 264,633 units | - | - | - | - | - | - | - | - | - | - | - | - |
| - Capital value (at net asset value per unit at the beginning of the year / period) | 398,031 | (36,789) | 182,672 | (16,631) | 182,672 | (16,631) | 128,832 | (11,326) | 128,832 | 82,611 | (6,060) | 82,611 |
| - Element of (loss) / income | (36,789) | - | (16,631) | - | (16,631) | - | (11,326) | - | (11,326) | (6,060) | - | (6,060) |
| Total payments on redemption of units | 361,242 | - | 166,041 | - | 166,041 | - | 117,506 | - | 117,506 | 76,551 | - | 76,551 |
| Total comprehensive loss for the year / period | - | (321,972) | (321,972) | - | (206,464) | (206,464) | - | (225,740) | (225,740) | - | (231,194) | (231,194) |
| Distribution during the period | - | (321,972) | (321,972) | - | (206,464) | (206,464) | - | (225,740) | (225,740) | - | (231,194) | (231,194) |
| Net loss for the period less distribution | - | - | - | - | - | - | - | - | - | - | - | - |
| Net assets at end of the year / period | 2,243,221 | (297,759) | 1,945,462 | 1,516,558 | 1,289,345 | 1,289,345 | 1,709,505 | (286,294) | 1,423,211 | 1,957,929 | (292,424) | 1,665,505 |
| Undistributed loss carried forward | - | - | - | - | - | - | - | - | - | - | - | - |
| - Realised (loss) | (106,369) | - | (74,165) | - | (74,165) | - | (116,408) | - | (116,408) | - | - | (121,353) |
| - Unrealised loss | (192,390) | - | (153,048) | - | (153,048) | - | (169,806) | - | (169,806) | - | - | (171,071) |
| | (298,759) | - | (227,213) | - | (227,213) | - | (286,294) | - | (286,294) | - | - | (292,424) |
| Accounting income available for distribution | - | - | - | - | - | - | - | - | - | - | - | - |
| - Relating to capital gains | - | - | - | - | - | - | - | - | - | - | - | - |
| - Excluding capital gains | - | - | - | - | - | - | - | - | - | - | - | - |
| Net asset value per unit as at beginning of the year / period | Rupees 50,4600 | | Rupees 49,3800 | | Rupees 43,0461 | | Rupees 48,3400 | | Rupees 42,7203 | | | |
| Net asset value per unit as at end of the year / period | 44,0138 | | 43,0461 | | 43,0461 | | 43,0135 | | 42,7203 | | | |

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



Mohammad Shoaib, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)




Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS FOR THE PERIOD / YEAR ENDED JUNE 30, 2018

| | For the period from August 15, 2017 to June 30, 2018 (Rupees in '000) | | For the period from December 15, 2017 to June 30, 2018 (Rupees in '000) | | For the year / period ended June 30, 2018 (Rupees in '000) | |
|---|--|----------------------|--|----------------------|---|----------------------|
| | Capital Value | Undistributed Income | Capital Value | Undistributed Income | Capital Value | Undistributed Income |
| Net assets at beginning of the year / period | - | - | - | - | 8,148,553 | (118,320) |
| Issuance of units: | | | | | | |
| MSAP - V: 10,979,760 units / MCPP - II: 27,516,187 units | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year / period) | 548,988 | - | 1,375,809 | - | 1,924,797 | - |
| Element of loss / income | (5,327) | - | 5,183 | - | (144) | - |
| Total proceeds on issuance of units | 543,661 | - | 1,380,992 | - | 1,924,653 | - |
| Redemption of units: | | | | | | |
| MSAP - I: 7,888,059 units / MSAP - II: 3,699,306 units / MSAP - III: 2,665,722 units / MSAP - M: 1,703,320 units / MSAP - V: 288,319 units, MCPP - III: 264,633 units | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year / period) | 14,416 | - | 13,232 | - | 819,794 | - |
| Element of income | 946 | - | 98 | - | (69,762) | - |
| Total payments on redemption of units | 15,362 | - | 13,330 | - | 750,032 | - |
| Total comprehensive loss for the year / period | - | (7,187) | - | (2,491) | - | (995,048) |
| Distribution during the period | - | (7,187) | - | (2,491) | - | (995,048) |
| Net loss for the period / less distribution | - | (7,187) | - | (2,491) | - | (995,048) |
| Net assets at end of the year / period | 528,299 | (7,187) | 3,367,662 | (2,491) | 9,323,174 | (1,113,368) |
| Undistributed (loss) / income carried forward | | | | | | |
| Realised income / (loss) | 5,171 | - | (14,702) | - | (426,826) | - |
| Unrealised (loss) / income | (12,358) | - | 12,211 | - | (686,542) | - |
| | (7,187) | - | (2,491) | - | (1,113,368) | - |
| Accounting income available for distribution | | | | | | |
| - Relating to capital gains | - | - | - | - | - | - |
| - Excluding capital gains | - | - | - | - | - | - |
| Net asset value per unit as at beginning of the year / period | | | | | | |
| Net asset value per unit as at end of the year / period | | | | | | |

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


Mohammad Shoaib, CFA
 Chief Executive

For Al Meezan Investment Management Limited
 (Management Company)


Syed Amir Ali Zaidi
 Director



Meezan
 Strategic Allocation Fund

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE YEAR / PERIOD ENDED JUNE 30, 2018

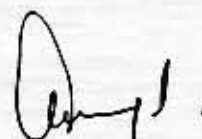
| | For the period from October 19, 2016 to June 30, 2017 | For the period from December 22, 2016 to June 30, 2017 | For the period from February 17, 2017 to June 30, 2017 | For the period from April 24, 2017 to June 30, 2017 | Total |
|---|---|--|--|---|------------------|
| Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| | (Rupees in '000) | | | | |
| Issuance of units: MSAP - I: 53,128,441 units, MSAP - II: 34,517,621 units, MSAP - III: 45,179,182 units, MSAP - IV: 40,988,385 units Total proceeds on issuance of units | 2,715,138 | 1,761,612 | 2,264,754 | 2,056,198 | 8,797,702 |
| | 2,715,138 | 1,761,612 | 2,264,754 | 2,056,198 | 8,797,702 |
| Redemption of units: MSAP - I: 1,039,165 units, MSAP - II: 865,626 units, MSAP - III: 8,638,961 units, MSAP - IV: 298,779 units Total payments on redemption of units | 60,885 | 44,946 | 434,353 | 37,189 | 577,373 |
| | 60,885 | 44,946 | 434,353 | 37,189 | 577,373 |
| Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed - net | (49,790) | (34,067) | (3,390) | 15,471 | (71,776) |
| Net realised gain / (loss) on sale of investments | 17,204 | 2,218 | (6,517) | (4,833) | 8,072 |
| Net unrealised appreciation / (diminution) on 're-measurement of investments classified as "financial asset at fair value through profit or loss" | 9,456 | (144,632) | (160,349) | (143,384) | (438,909) |
| Other net income for the period | 192,932 | 121,665 | 106,312 | 86,987 | 507,896 |
| Total comprehensive income / (loss) for the period | 219,592 | (20,749) | (60,554) | (61,230) | 77,059 |
| Distribution during the period | (195,379) | | | | (195,379) |
| Net income / (loss) for the period less distribution | 24,213 | (20,749) | (60,554) | (61,230) | (118,320) |
| Net assets at end of the period | 2,628,676 | 1,661,850 | 1,766,457 | 1,973,250 | 8,030,233 |
| Represented by | | | | | |
| Capital value | 2,604,463 | 1,682,599 | 1,827,011 | 2,034,480 | 8,148,553 |
| Undistributed income carried forward | | | | | |
| - Realised income | 14,757 | 123,883 | 99,795 | 82,154 | 320,589 |
| - Unrealised income / (loss) | 9,456 | (144,632) | (160,349) | (143,384) | (438,909) |
| | 2,628,676 | 1,661,850 | 1,766,457 | 1,973,250 | 8,030,233 |
| | Rupees | Rupees | Rupees | Rupees | |
| Net assets value per unit at end of the period | 50.4600 | 49.3800 | 48.3400 | 48.5000 | |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



CASH FLOW STATEMENT

FOR THE YEAR / PERIOD ENDED JUNE 30, 2018

| Note | For the year ended June 30, 2018 | | | | | For the period from August 15, 2017 to June 30, 2018 | For the period from December 19, 2017 to June 30, 2018 | Total |
|--|----------------------------------|-----------|-----------|-----------|-----------|--|--|-----------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPI | | |
| | (Rupees in '000) | | | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| | (321,972) | (206,464) | (225,740) | (231,194) | (7,187) | (2,491) | (995,048) | |
| Adjustments for: | | | | | | | | |
| Net unrealised diminution / (appreciation) on re-measurement of investments 'at fair value through profit or loss' | 5.1 | 192,390 | 153,048 | 169,886 | 171,071 | 12,358 | (12,211) | 686,542 |
| | | (129,582) | (53,416) | (55,854) | (60,123) | 5,171 | (14,702) | (308,506) |
| Decrease / (increase) in assets | | | | | | | | |
| Investments - net | 519,587 | 218,493 | 173,764 | (25,631) | (528,905) | (1,351,146) | (993,838) | |
| Receivable against sale of investments - net | - | - | - | (200) | - | (270) | (470) | |
| Advances, deposits and prepayments | 69 | 10 | 404 | 613 | (13) | (14) | 1,069 | |
| | 519,656 | 218,503 | 174,168 | (25,218) | (528,918) | (1,351,430) | (993,239) | |
| (Decrease) / increase in liabilities | | | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | (90) | (32) | (45) | (10,088) | 49 | 115 | (10,091) | |
| Payable to Central Depository Company of Pakistan Limited - Trustee | (55) | (29) | (27) | 35 | 38 | 99 | 61 | |
| Payable to Meezan Bank Limited | - | - | - | (5,446) | - | - | (5,446) | |
| Payable to Securities and Exchange Commission of Pakistan | 451 | 618 | 1,018 | 1,576 | 390 | 567 | 4,620 | |
| Payable against purchase of investments - net | - | - | - | (54,993) | - | - | (54,993) | |
| Accrued expenses and other liabilities | (30,396) | 103 | 126 | (25,477) | 61 | 150 | (55,433) | |
| | (30,090) | 660 | 1,072 | (94,393) | 538 | 931 | (121,282) | |
| Net cash generated from / (used in) operating activities | 359,984 | 165,747 | 119,386 | (179,734) | (523,209) | (1,365,201) | (1,423,027) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Receipts against issuance and conversion of units | - | 10 | - | 10,450 | 543,661 | 1,380,992 | 1,935,113 | |
| Payments against redemption and conversion of units | (360,259) | (166,222) | (117,506) | (76,551) | (15,362) | (12,852) | (748,752) | |
| Dividend paid | (75) | - | - | - | - | - | (75) | |
| Net cash (used in) / generated from financing activities | (360,334) | (166,212) | (117,506) | (66,101) | 528,299 | 1,368,140 | 1,186,286 | |
| Net (decrease) / increase in cash and cash equivalents during the year / period | | | | | | | | |
| | (350) | (465) | 1,880 | (245,835) | 5,090 | 2,939 | (236,741) | |
| Cash and cash equivalents at beginning of the year / period | 9,497 | 2,172 | 278 | 252,575 | - | - | 264,522 | |
| Cash and cash equivalents at end of the year / period | 4 | 9,147 | 1,707 | 2,158 | 6,740 | 5,090 | 2,939 | 27,781 |

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

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

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

CASH FLOW STATEMENT

FOR THE PERIOD ENDED JUNE 30, 2018

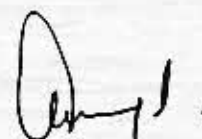
| Note | For the period from October 19, 2016 to June 30, 2017 | For the period from December 22, 2016 to June 30, 2017 | For the period from February 20, 2017 to June 30, 2017 | For the period from April 24, 2017 to June 30, 2017 | Total | |
|---|---|--|--|---|-------------|----------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| | 219,592 | (20,749) | (60,554) | (61,230) | 77,059 | |
| Adjustments for: | | | | | | |
| Net unrealised (appreciation) / diminution on re-measurement of investments - 'at fair value through profit or loss' (net) | 5.1 | (9,456) | 144,632 | 160,349 | 143,384 | 438,909 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net) | | (49,790) | (34,067) | (3,390) | 15,471 | (71,776) |
| | | 160,346 | 89,816 | 96,405 | 97,625 | 444,192 |
| Decrease / (increase) in assets | | | | | | |
| Investments (net) | (2,646,954) | (1,805,567) | (1,926,943) | (1,949,524) | (8,328,988) | |
| Other receivables | (85) | (13) | (407) | (628) | (1,133) | |
| | (2,647,039) | (1,805,580) | (1,927,350) | (1,950,152) | (8,330,121) | |
| (Decrease) / increase in liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 267 | 142 | 165 | 10,234 | 10,808 | |
| Payable to Central Depository Company of Pakistan Limited Trustee | 199 | 124 | 132 | 87 | 542 | |
| Payable to Meezan Bank Limited | | | | 5,446 | 5,446 | |
| Payable to Securities and Exchange Commission of Pakistan | 1,653 | 755 | 474 | 106 | 2,988 | |
| Payable against purchase of investments - net | - | - | - | 54,993 | 54,993 | |
| Accrued expenses and other liabilities | 35,122 | 78 | 51 | 25,677 | 60,928 | |
| | 37,241 | 1,099 | 822 | 96,543 | 135,705 | |
| Net cash used in operating activities | (2,449,452) | (1,714,665) | (1,830,123) | (1,755,984) | (7,750,224) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Receipts against issuance and conversion of units | 2,715,138 | 1,761,602 | 2,264,754 | 2,045,748 | 8,787,242 | |
| Payments against redemption and conversion of units | (60,885) | (44,765) | (434,353) | (37,189) | (577,192) | |
| Dividend paid | (195,304) | - | - | - | (195,304) | |
| Net cash generated from financing activities | 2,458,949 | 1,716,837 | 1,830,401 | 2,008,559 | 8,014,746 | |
| Net increase in cash and cash equivalents during the period | 9,497 | 2,172 | 278 | 252,575 | 264,522 | |
| Cash and cash equivalents at beginning of the period | | | | | | |
| Cash and cash equivalents at end of the period | 4 | 9,497 | 2,172 | 278 | 252,575 | 264,522 |

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Strategic Allocation Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on September 8, 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Fund is registered as a Notified entity under the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) issued through S.R.O.1203(I)/2008 on October 10, 2016. The Management Company has been licensed by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to enable the unitholders to participate in a diversified portfolio of equity schemes and fixed income / money market schemes, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah guidelines. The Management Company 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.
- 1.3** The Fund is an open-end Shariah compliant Fund of Funds Scheme. Units are offered for public subscription on a continuous basis till the end of the subscription period. However, the subscription in units may be reopened for fresh issuance by the Management Company with prior approval of the Commission after intimation to the Trustee and by providing notice to investors in order to protect the interests of the unitholders. The units of the plan are transferable and can be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.4** Title to the assets of the Fund are held in the name of CDC as the Trustee of the Fund. The Fund's property comprises of different types of allocation plans which are accounted for and maintained separately in the books of accounts and collectively constitute the Fund's property.
- 1.5** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.6** The Fund is an open-end Shariah compliant Fund of Funds Scheme that aims to generate returns on investment as per allocation plans (sub funds) namely Meezan Strategic Allocation Plan-I (MSAP-I), Meezan Strategic Allocation Plan-II (MSAP-II), Meezan Strategic Allocation Plan-III (MSAP-III), Meezan Strategic Allocation Plan-IV (MSAP-IV), Meezan Strategic Allocation Plan-V (MSAP-V) and Meezan Capital Preservation Plan-III (MCPPIII) by investing in Shariah compliant fixed income / money market and equity mutual funds in line with the risk tolerance of the investor. Investors of the Fund may hold different types of allocation plans and may invest in any one or more of the available allocation plans. The management may also invest in other Collective Investments Schemes available to it with prior approval of SECP.
- 1.7** In the current year, two plans Meezan Strategic Allocation Plan-V (MSAP-V) and Meezan Capital Preservation Plan-III (MCPPIII) were introduced. A brief description of the plans is as follows:

| | |
|---|---|
| Meezan Strategic Allocation Plan-I (MSAP-I) | Low risk - High return through asset allocation The allocation plan commenced its operations from October 19, 2016 and can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / schemes based on the macroeconomic view and outlook of such asset classes up to 100%. The initial maturity of this plan is two years from the close of the subscription period (i.e. December 2, 2016). Units shall be subject to front end load. An early exit fee shall also be charged in case of redemption before the completion of the initial maturity of the plan. |
|---|---|

| | |
|---|--|
| Meezan Strategic Allocation Plan-II (MSAP-II) | Low risk - High return through asset allocation This allocation plan commenced its operations from December 22, 2016 and can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / schemes based on the macroeconomic view and outlook of such asset classes up to 100%. The initial maturity of this plan is two years from the close of the subscription period (i.e. January 31, 2017). Units shall be subject to front end load. An early exit fee shall also be charged in case of redemption before the completion of the initial maturity of the plan. |
| Meezan Strategic Allocation Plan-III (MSAP-III) | Low risk - High return through asset allocation This allocation plan commenced its operations from February 20, 2017 and can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / schemes based on the macroeconomic view and outlook of such asset classes up to 100%. The initial maturity of this plan is two years from the close of the subscription period (i.e. April 3, 2017). Units shall be subject to front end load. An early exit fee shall also be charged in case of redemption before the completion of the initial maturity of the plan. |
| Meezan Strategic Allocation Plan-IV (MSAP-IV) | Low risk - High return through asset allocation This allocation plan commenced its operations from April 24, 2017 and can invest its portfolio between the Equity asset classes / Schemes and Fixed Income or Money Market asset classes / Schemes based on the macroeconomic view and outlook of such asset classes up to 100%. The initial maturity of this plan is two years from the close of the subscription period (i.e. June 30, 2017). Units shall be subject to front end load. An early exit fee shall also be charged in case of redemption before the completion of the initial maturity of the plan. |
| Meezan Strategic Allocation Plan-V (MSAP-V) | Low risk - High return through asset allocation This allocation plan commenced its operations from August 15, 2017 and can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / schemes based on the macroeconomic view and outlook of such asset classes up to 100%. The initial maturity of this plan is two years from the close of the subscription period (i.e. October 19, 2017). Units shall be subject to front end load. An early exit fee shall also be charged in case of redemption before the completion of the initial maturity of the plan. |
| Meezan Capital Preservation Plan-III (MCPPIII) | Low risk - High return through asset allocation This allocation plan commenced its operations from December 19, 2017 and can invest its portfolio between the Equity asset classes / schemes and Fixed Income or Money Market asset classes / schemes based on the macroeconomic view and outlook of such asset classes up to 100%. The initial maturity of this plan is two years from the close of the subscription period (i.e. February 16, 2018). Units shall be subject to front end load. An early exit fee shall also be charged in case of redemption before the completion of the initial maturity of the plan. |

Each allocation plan announces separate Net Asset Values which ranks Pari Passu according to the number of units of the respective allocation plans. The books and records of each plan have been maintained separately.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;





- Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|--|
| - IFRS 9 - Financial Instruments | 01 July 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | 01 July 2018 |
| - IFRS 16 - Leases | 01 January 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.15 and 15).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which is measured at fair value.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the changes in accounting policies as explained in note 3.11 and 3.12 below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial instruments

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

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

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

(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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date generally i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.



3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of investments in the collective investment schemes

The investments of the Fund in collective investment schemes are valued on the basis of daily net assets value (NAV) announced by the management company.

The fair value of financial instruments i.e. investment in mutual funds is based on their net asset value at the reporting date without any deduction for estimated future selling costs.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement. Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

a) Available-for-sale financial assets

Impairment loss on equity securities

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.



3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Unitholders' fund

Unitholders' fund of each sub funds representing the units issued by each respective sub fund separately, is carried at the redemption amount representing the investors' right to a residual interest in the respective sub fund's net assets.

3.9 Issuance and redemption of units

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

Units redeemed are recorded at the redemption price of each allocation plan prevalent on the date on which the distributors receive redemption application during business hours on that date. The redemption price





represents the net assets value per unit as of close of business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.10 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period in respect of each sub-fund which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 69.618 million with no effect on the NAV per unit of the Fund. However, the



change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.12 During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

3.13 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Dividend income is recognized when the Fund's right to receive the same is established. i.e. on the date of book closure of the investee fund declaring the dividend.
- Profit on bank deposit is recognized on time proportion basis using the effective yield method.

3.14 Expenses

All expenses including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.15 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates. The charge for current tax also include adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for





the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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

3.16 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.17 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement

4 BALANCES WITH BANKS

| | | June 30, 2018 | | | | | | |
|-------------------------|-----|------------------|---------|----------|---------|--------|---------|--------|
| | | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPIII | Total |
| Note | | (Rupees in '000) | | | | | | |
| Balances with banks in: | | | | | | | | |
| Savings accounts | 4.1 | 5,625 | 632 | 2,148 | 6,569 | 5,027 | 2,939 | 22,940 |
| Current account | | 3,522 | 1,075 | 10 | 171 | 63 | - | 4,841 |
| | | 9,147 | 1,707 | 2,158 | 6,740 | 5,090 | 2,939 | 27,781 |

| | | June 30, 2017 | | | | | | |
|-------------------------|--|------------------|---------|----------|---------|-------|---------|---------|
| | | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total | | |
| | | (Rupees in '000) | | | | | | |
| Balances with banks in: | | | | | | | | |
| Savings accounts | | | | 9,263 | 1,115 | 278 | 252,575 | 263,231 |
| Current account | | | | 234 | 1,057 | - | - | 1,291 |
| | | | | 9,497 | 2,172 | 278 | 252,575 | 264,522 |

- 4.1 The balance in saving accounts have expected profit rates ranging from 2.00% to 2.40% per annum (June 30, 2018: 2.00% to 2.40% per annum).

5. INVESTMENTS

| | | June 30, 2018 | | | | | | |
|--|-----|------------------|-----------|-----------|-----------|---------|-----------|-----------|
| | | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPIII | Total |
| Note | | (Rupees in '000) | | | | | | |
| Investments - 'at fair value through profit or loss' | | | | | | | | |
| - Held for trading | 5.1 | 1,944,433 | 1,289,394 | 1,422,944 | 1,660,700 | 516,547 | 1,363,357 | 8,197,375 |

| | | June 30, 2017 | | | | |
|--|--|------------------|-----------|-----------|-----------|-----------|
| | | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| | | (Rupees in '000) | | | | |
| Investments - 'at fair value through profit or loss' | | | | | | |
| - Held for trading | | 2,656,410 | 1,660,935 | 1,766,594 | 1,806,140 | 7,890,079 |

5.1 Held for Trading - Units of mutual funds

| Name of investee funds | As at July 1, 2017 | Purchases during the period | Redemptions during the period | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised (loss) / gain as at June 30, 2018 | Percentage in relation to market value as a percentage of total investments |
|--|-------------------------------|-----------------------------|-------------------------------|---------------------|------------------------------------|----------------------------------|--|---|
| | ----- (Number of units) ----- | | | | ----- (Rupees in '000) ----- | | | ---(Percentage)--- |
| Meezan Strategic Allocation Plan-I | | | | | | | | |
| All Meezan Mutual Fund | 13,489,277 | 1,139,692 | 1,695,601 | 12,933,368 | 269,319 | 228,398 | (40,921) | 11.75 |
| Meezan Dedicated Equity Fund | - | 7,726,042 | 3,963,082 | 3,762,960 | 186,034 | 182,644 | (3,390) | 9.39 |
| Meezan Islamic Fund | 24,362,251 | 5,512,380 | 13,719,672 | 16,154,959 | 1,185,836 | 1,023,171 | (162,665) | 52.62 |
| Meezan Cash Fund | - | 3,993,262 | 2,173,222 | 1,820,040 | 91,839 | 95,715 | 3,876 | 4.92 |
| Meezan Islamic Income Fund | 9,918,797 | 10,175,158 | 12,357,647 | 7,736,308 | 403,795 | 414,505 | 10,710 | 21.32 |
| | | | | | 2,136,823 | 1,944,433 | (192,390) | 100.00 |
| Meezan Strategic Allocation Plan-II | | | | | | | | |
| All Meezan Mutual Fund | 26,045,712 | - | 3,227,112 | 22,818,600 | 482,385 | 402,965 | (79,420) | 31.25 |
| Meezan Dedicated Equity Fund | - | 2,052,897 | 99,322 | 1,953,575 | 99,082 | 94,821 | (4,261) | 7.35 |
| Meezan Islamic Fund | 10,307,902 | 2,169,030 | 5,213,170 | 7,263,762 | 539,750 | 460,049 | (79,701) | 35.68 |
| Meezan Cash Fund | 2,519,985 | - | 880,336 | 1,639,649 | 82,688 | 86,229 | 3,541 | 6.69 |
| Meezan Islamic Income Fund | 3,806,559 | 5,035,700 | 4,263,421 | 4,578,838 | 238,537 | 245,330 | 6,793 | 19.03 |
| | | | | | 1,442,442 | 1,289,394 | (153,048) | 100.00 |
| Meezan Strategic Allocation Plan-III | | | | | | | | |
| Meezan Dedicated Equity Fund | | 2,348,643 | 158,241 | 2,190,402 | 111,117 | 106,316 | (4,801) | 7.47 |
| Meezan Islamic Fund | 18,334,830 | 2,518,261 | 5,795,234 | 15,057,857 | 1,130,418 | 953,686 | (176,732) | 67.02 |
| Meezan Cash Fund | 9,748 | 3,606,817 | 650,742 | 2,965,823 | 149,655 | 155,971 | 6,316 | 10.96 |
| Meezan Islamic Income Fund | 7,105,227 | 4,780,885 | 8,023,229 | 3,862,883 | 201,640 | 206,971 | 5,331 | 14.55 |
| | | | | | 1,592,830 | 1,422,944 | (169,886) | 100.00 |
| Meezan Strategic Allocation Plan-IV | | | | | | | | |
| All Meezan Mutual Fund | 2,151,219 | | 273,484 | 1,877,735 | 39,695 | 33,160 | (6,535) | 2.00 |
| Meezan Dedicated Equity Fund | | 4,944,378 | 2,965,003 | 1,979,375 | 101,458 | 96,074 | (5,384) | 5.79 |
| Meezan Islamic Fund | 16,203,703 | 8,440,067 | 7,276,516 | 17,367,254 | 1,273,144 | 1,099,952 | (173,192) | 66.23 |
| Meezan Cash Fund | 1,201,553 | 2,576,298 | 253,653 | 3,524,198 | 177,797 | 185,336 | 7,539 | 11.16 |
| Meezan Islamic Income Fund | 8,988,987 | 7,269,504 | 11,663,825 | 4,594,666 | 239,677 | 246,178 | 6,501 | 14.82 |
| | | | | | 1,831,771 | 1,660,700 | (171,071) | 100.00 |
| Meezan Strategic Allocation Plan-V | | | | | | | | |
| Meezan Dedicated Equity Fund | | 2,899,237 | 1,466,152 | 1,433,085 | 72,501 | 69,558 | (2,943) | 13.47 |
| Meezan Islamic Fund | | 6,593,519 | 1,625,010 | 4,968,509 | 327,889 | 314,680 | (13,209) | 60.92 |
| Meezan Cash Fund | | 8,654,895 | 6,509,422 | 2,145,473 | 109,415 | 112,830 | 3,415 | 21.84 |
| Meezan Islamic Income Fund | | 1,667,261 | 1,303,699 | 363,562 | 19,100 | 19,479 | 379 | 3.77 |
| | | | | | 528,905 | 516,547 | (12,358) | 100.00 |
| Meezan Strategic Allocation Plan - MCPP-III | | | | | | | | |
| Meezan Dedicated Equity Fund | - | 15,724,510 | 12,807,088 | 2,917,422 | 147,147 | 141,604 | (5,543) | 10.39 |
| Meezan Cash Fund | - | 38,939,974 | 15,708,137 | 23,231,837 | 1,203,999 | 1,221,753 | 17,754 | 89.61 |
| | | | | | 1,351,146 | 1,363,357 | 12,211 | 100 |
| Total investments in units of mutual funds | | | | | | | | |
| All Meezan Mutual Fund | 41,686,208 | 1,139,692 | 5,196,197 | 37,629,703 | 791,399 | 664,523 | (126,876) | 8.11 |
| Meezan Dedicated Equity Fund | - | 35,695,707 | 21,458,888 | 14,236,818 | 717,339 | 691,017 | (26,322) | 8.43 |
| Meezan Islamic Fund | 69,208,686 | 25,233,257 | 33,629,602 | 60,812,342 | 4,457,037 | 3,851,538 | (605,499) | 46.99 |
| Meezan Cash Fund | 3,731,286 | 57,771,246 | 26,175,512 | 35,327,020 | 1,815,393 | 1,857,834 | 42,441 | 22.66 |
| Meezan Islamic Income Fund | 29,819,570 | 28,928,508 | 37,611,821 | 21,136,256 | 1,102,749 | 1,132,463 | 29,714 | 13.81 |
| | | | | | 8,883,917 | 8,197,375 | (686,542) | 100.00 |





6. ADVANCES AND PREPAYMENTS

| June 30, 2018 | | | | | | | |
|---------------|------------------|---------|----------|---------|--------|---------|-------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPIII | Total |
| | (Rupees in '000) | | | | | | |
| Prepayments | - | - | - | - | - | - | - |
| Advance tax | - | - | - | - | - | - | - |

| June 30, 2017 | | | | | |
|---------------|------------------|---------|----------|---------|-------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| | (Rupees in '000) | | | | |
| Prepayments | - | 11 | - | 328 | 339 |
| Advance tax | 81 | - | - | 53 | 134 |
| | 81 | 11 | - | 381 | 473 |

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

| June 30, 2018 | | | | | | | | |
|---|------|------------------|---------|----------|---------|--------|---------|-------|
| | Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPIII | Total |
| | | (Rupees in '000) | | | | | | |
| Management fee payable | 7.1 | 12 | 1 | 1 | 5 | 4 | 2 | 25 |
| Sindh Sales Tax payable on remuneration of the Management company | 7.2 | 2 | 1 | - | 2 | 1 | - | 6 |
| Allocated expense | 7.3 | 163 | 108 | 119 | 139 | 44 | 113 | 686 |
| | | 177 | 110 | 120 | 146 | 49 | 115 | 717 |

| June 30, 2017 | | | | | | |
|---|------|------------------|---------|----------|---------|--------|
| | Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| | | (Rupees in '000) | | | | |
| Management fee payable | 7.1 | - | - | 9 | 2 | 14 |
| Sindh Sales Tax payable on remuneration of the Management company | 7.2 | - | - | 1 | - | 2 |
| Sales load payable | | - | - | 29 | - | 8,685 |
| Sindh Sales Tax on sales load | | - | - | 4 | - | 1,129 |
| Allocated expense | 7.3 | - | - | 224 | 140 | 149 |
| | | - | - | 267 | 142 | 165 |
| | | - | - | - | - | 10,234 |
| | | - | - | - | - | 10,808 |

- 7.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to remuneration equal to an amount not exceeding 1.5 percent of the average annual net assets in case of a Fund of Funds Scheme. The remuneration of the Management Company has been charged at the rate of 1 percent of daily bank balance for the year ended June 30, 2018.
- 7.2** During the year the Sindh Sales Tax at the rate of 13 percent was charged on the remuneration of the Management Company and sales load.
- 7.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses incurred.

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

| | | June 30, 2018 | | | | | | |
|--|--------|---------------|----------|---------|--------|--------|-------|--|
| Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPII | Total | |
| (Rupees in '000) | | | | | | | | |
| Trustee fee payable | 8.1 | 127 | 84 | 93 | 109 | 34 | 535 | |
| Sindh Sales Tax payable on trustee fee | 8.2 | 17 | 11 | 12 | 13 | 4 | 68 | |
| | | 144 | 95 | 105 | 122 | 38 | 603 | |

| | | June 30, 2017 | | | | | |
|--|--------|---------------|----------|---------|-------|-----|--|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total | | |
| (Rupees in '000) | | | | | | | |
| Trustee fee payable | | | 176 | 110 | 117 | 480 | |
| Sindh Sales Tax payable on trustee fee | | | 23 | 14 | 15 | 62 | |
| | | | 199 | 124 | 132 | 542 | |

- 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 value of the Fund.

The remuneration of the Trustee for the year / period ended June 30, 2018 has been calculated as per the following applicable tariff:

Net assets

Up to 1 billion

Over 1 billion

Tariff

0.10% per annum

Rs. 1 million plus 0.075% p.a. of Net Assets exceeding Rs. 1 billion

- 8.2 During the year, an amount of Rs 0.814 million (2017: Rs. 0.328 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.808 million (2017: Rs. 0.266 million) was paid to the Trustee which acts as a collecting agent.

9. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

| | | June 30, 2018 | | | | | | |
|--------------------|--------|---------------|----------|---------|--------|--------|-------|--|
| Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPII | Total | |
| (Rupees in '000) | | | | | | | | |
| Annual fee payable | 9.1 | 2,104 | 1,373 | 1,492 | 1,682 | 390 | 7,608 | |

| | | June 30, 2017 | | | | | |
|--------------------|--------|---------------|----------|---------|-------|-----|-------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total | | |
| (Rupees in '000) | | | | | | | |
| Annual fee payable | | | 1,653 | 755 | 474 | 106 | 2,988 |

- 9.1 This represents annual fee at the rate of 0.095 percent of the average annual net assets of the Fund payable to the SECP under regulation 62 read with Schedule II of the NBFC Regulations.





10. ACCRUED EXPENSES AND OTHER LIABILITIES

| | | June 30, 2018 | | | | | |
|---|--------------|---------------|------------|------------|-----------|------------|--------------|
| Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPIII | Total |
| (Rupees in '000) | | | | | | | |
| Auditors' remuneration payable | 129 | 84 | 92 | 103 | 27 | 65 | 500 |
| Shariah advisor fee payable | 34 | 27 | 25 | 28 | 7 | 18 | 139 |
| Printing charges payable | 82 | 56 | 60 | 69 | 27 | 51 | 345 |
| Zakat payable | - | 14 | - | - | - | 16 | 30 |
| Provision for Sindh Workers' Welfare Fund | 10.1 | 4,481 | - | - | - | - | 4,481 |
| | 4,726 | 181 | 177 | 200 | 61 | 150 | 5,495 |

| | | June 30, 2017 | | | | | |
|---|--------|---------------|-----------|-----------|---------------|--------|---------------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total | | |
| (Rupees in '000) | | | | | | | |
| Auditors' remuneration payable | | | 101 | 42 | 26 | 5 | 174 |
| Withholding tax payable | | | 30,471 | - | - | - | 30,471 |
| Sales load payable | | | | | | 22,715 | 22,715 |
| Sindh Sales tax payable on sales load | | | | | | 2,953 | 2,953 |
| Shariah advisory fee payable | | | 69 | 36 | 25 | 4 | 134 |
| Provision for Sindh Workers' Welfare Fund | 10.1 | 4,481 | - | - | - | - | 4,481 |
| | | 35,122 | 78 | 51 | 25,677 | | 60,928 |

- 10.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

The Management Company has recognised SWWF charge for the period from October 19, 2016 to June 30, 2017, amounting to Rs. 4.48 million in MSAP-I (2017: Rs 4.48 million). Had the SWWF not been provided, the NAV per unit of the plan would have been higher by Re. 0.10 per unit as at June 30, 2018 (2017: Re 0.09 per unit). However, no provision for SWWF has been recorded in MSAP-II, MSAP-III and MSAP-IV because the plan incurred loss during the current year as well as in the prior period.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

12. AUDITORS' REMUNERATION

| Note | June 30, 2018 | | | | | | Total |
|------------------------|------------------|---------|----------|---------|--------|---------|-------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPIII | |
| | (Rupees in '000) | | | | | | |
| Annual audit fee | 76 | 69 | 86 | 87 | 19 | 47 | 384 |
| Half yearly review | 36 | 24 | 26 | 28 | 8 | 18 | 140 |
| Out of pocket expenses | - | - | - | - | - | - | - |
| | 112 | 93 | 112 | 115 | 27 | 65 | 524 |

| | June 30, 2017 | | | | | Total |
|-----------------------|------------------|---------|----------|---------|--|-------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | | |
| | (Rupees in '000) | | | | | |
| Annual audit fee | 74 | 35 | 22 | 4 | | 135 |
| Half yearly review | 50 | 7 | | | | 57 |
| Other certification | 41 | 17 | 3 | 1 | | 62 |
| Out of pocket expense | 13 | 3 | 1 | | | 17 |
| | 178 | 62 | 26 | 5 | | 271 |

13. TOTAL EXPENSE RATIO

The Total Expense Ratio of the Fund for the period ended June 30, 2018 is 0.31%, 0.31%, 0.31%, 0.31%, 0.32% and 0.19% which include 0.11%, 0.11%, 0.11%, 0.11%, 0.10% and 0.06% representing government levy and SECP fee for MSAP-I, MSAP-II, MSAP-III, MSAP-IV, MSAP-V and MCPPIII respectively. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Fund of Fund.

14. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since all the sub-funds have incurred a loss for the year / period ended June 30, 2018, no provision for taxation has been made in these financial statements during the year.

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

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

15.1 Connected persons include Al Meezan Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and Executives of the Management Company, other funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited Employees' Gratuity Fund and unitholders holding 10 percent or more of the Fund's net assets.

15.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.





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

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

| Note | June 30, 2018 | | | | | | |
|---|------------------------------------|------------|-----------|-----------|-----------|--|--|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPPI-III | Total |
| | For the period ended June 30, 2018 | | | | | For the period from August 15, 2017 to June 30, 2018 | For the period from December 19, 2017 to June 30, 2018 |
| AI Meezan Investment Management Limited | | | | | | | |
| - Management Company | | | | | | | |
| Remuneration for the period (Rs in '000) | 111 | 76 | 19 | 169 | 223 | 281 | 879 |
| Sindh Sales Tax on management fee (Rs in '000) | 14 | 10 | 2 | 22 | 29 | 37 | 114 |
| Allocated expenses (Rs in '000) | 2,215 | 1,445 | 1,571 | 1,770 | 411 | 597 | 8,009 |
| Remuneration payable (Rs in '000) | 12 | 1 | 1 | 5 | 4 | 2 | 25 |
| Sindh Sales Tax on management fee (Rs in '000) | 2 | 1 | - | 2 | 1 | - | 6 |
| Allocated expenses payable (Rs in '000) | 163 | 108 | 119 | 139 | 44 | 113 | 686 |
| Investment (Rs in '000) | - | 86,075 | - | - | - | - | 86,075 |
| Investment (Units) | - | 1,999,600 | - | - | - | - | 1,999,600 |
| Meezan Bank Limited | | | | | | | |
| Profit on saving account (Rs in '000) | 198 | 85 | 21 | 339 | 515 | 488 | 1,646 |
| Bank balance (Rs in '000) | 9,037 | 1,707 | 2,158 | 6,740 | 5,090 | 2,939 | 27,671 |
| Profit receivable (Rs in '000) | 16 | 3 | 3 | 15 | 13 | 14 | 64 |
| Central Depository Company of Pakistan Limited - Trustee | | | | | | | |
| Trustee fee (Rs in '000) | 1,731 | 1,129 | 1,228 | 1,383 | 321 | 465 | 6,257 |
| Sindh Sales Tax on trustee fee (Rs in '000) | 225 | 147 | 160 | 180 | 42 | 60 | 814 |
| Trustee fee payable (Rs in '000) | 127 | 84 | 93 | 109 | 34 | 88 | 535 |
| Sindh Sales Tax on trustee fee payable (Rs in '000) | 17 | 11 | 12 | 13 | 4 | 11 | 68 |
| Directors and Executives of the Management Company | | | | | | | |
| Investment (Rs in '000) | - | - | 14,816 | - | - | - | 14,816 |
| Investment (Units) | - | - | 352,640 | - | - | - | 352,640 |
| AI Meezan Mutual Fund | | | | | | | |
| Invested during the period (Rs in '000) | 20,000 | - | - | - | - | - | 20,000 |
| Invested during the period (Units) | 1,139,692 | - | - | - | - | - | 1,139,692 |
| Redeemed during the period (Rs in '000) | 31,000 | 59,000 | - | 5,000 | - | - | 95,000 |
| Redeemed during the period (Units) | 1,695,601 | 3,227,112 | - | 273,484 | - | - | 5,196,197 |
| Investment (Rs in '000) | 228,398 | 402,965 | - | 33,160 | - | - | 664,523 |
| Investment (Units) | 12,933,368 | 22,818,600 | - | 1,877,735 | - | - | 37,629,703 |
| Meezan Dedicated Equity Fund | | | | | | | |
| Invested during the period (Rs in '000) | 381,000 | 104,000 | 119,000 | 251,000 | 146,000 | 807,000 | 1,808,000 |
| Invested during the period (Units) | 7,726,042 | 2,052,897 | 2,348,643 | 4,944,378 | 2,899,237 | 15,724,510 | 35,695,707 |
| Redeemed during the period (Rs in '000) | 194,000 | 5,000 | 7,900 | 151,000 | 75,000 | 642,455 | 1,075,355 |
| Redeemed during the period (Units) | 3,963,082 | 99,322 | 158,241 | 2,965,003 | 1,466,152 | 12,807,088 | 21,458,888 |
| Investment (Rs in '000) | 182,644 | 94,821 | 106,316 | 96,074 | 69,558 | 141,604 | 691,017 |
| Investment (Units) | 3,762,960 | 1,953,575 | 2,190,402 | 1,979,375 | 1,433,085 | 2,917,422 | 14,236,819 |



June 30, 2018

| Note | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPP-III | Total |
|--|------------------------------------|-----------|------------|------------|-----------|--|--|
| | For the period ended June 30, 2018 | | | | | For the period from August 15, 2017 to June 30, 2018 | For the period from December 19, 2017 to June 30, 2018 |
| Meezan Islamic Fund | | | | | | | |
| Invested during the period (Rs in '000) | 360,000 | 144,000 | 167,000 | 577,007 | 434,838 | - | 1,682,845 |
| Invested during the period (Units) | 5,512,380 | 2,169,030 | 2,518,261 | 8,440,067 | 6,593,519 | - | 25,233,257 |
| Redeemed during the period (Rs in '000) | 907,570 | 347,650 | 382,690 | 480,880 | 110,000 | - | 2,228,790 |
| Redeemed during the period (Units) | 13,719,672 | 5,213,170 | 5,795,234 | 7,276,516 | 1,625,010 | - | 33,629,602 |
| Investment (Rs in '000) | 1,023,171 | 460,049 | 953,686 | 1,099,952 | 314,680 | - | 3,851,538 |
| Investment (Units) | 16,154,959 | 7,263,762 | 15,057,857 | 17,367,254 | 4,968,509 | - | 60,812,341 |
| Meezan Cash Fund | | | | | | | |
| Invested during the period (Rs in '000) | 201,500 | - | 182,000 | 130,000 | 441,000 | 2,015,155 | 2,969,655 |
| Invested during the period (Units) | 3,993,262 | - | 3,606,817 | 2,576,298 | 8,654,895 | 38,939,974 | 57,771,246 |
| Redeemed during the period (Rs in '000) | 112,370 | 45,590 | 33,940 | 13,140 | 332,508 | 815,330 | 1,352,878 |
| Redeemed during the period (Units) | 2,173,222 | 880,336 | 650,742 | 253,653 | 6,509,422 | 15,708,137 | 26,175,512 |
| Investment (Rs in '000) | 95,715 | 86,229 | 155,971 | 185,336 | 112,830 | 1,221,753 | 1,857,834 |
| Investment (Units) | 1,820,040 | 1,639,649 | 2,965,823 | 3,524,198 | 2,145,473 | 23,231,837 | 35,327,020 |
| Meezan Islamic Income Fund | | | | | | | |
| Invested during the period (Rs in '000) | 531,000 | 263,000 | 250,000 | 378,500 | 87,000 | - | 1,509,500 |
| Invested during the period (Units) | 10,175,158 | 5,035,700 | 4,780,885 | 7,269,504 | 1,667,261 | - | 28,928,508 |
| Redeemed during the period (Rs in '000) | 639,860 | 221,740 | 415,160 | 603,770 | 68,020 | - | 1,948,550 |
| Redeemed during the period (Units) | 12,357,647 | 4,263,421 | 8,023,229 | 11,663,825 | 1,303,699 | - | 37,611,821 |
| Investment (Rs in '000) | 414,505 | 245,330 | 206,971 | 246,178 | 19,479 | - | 1,132,463 |
| Investment (Units) | 7,736,308 | 4,578,838 | 3,862,883 | 4,594,666 | 363,562 | - | 21,136,257 |
| Unitholders holding 10% or more units of the Fund | | | | | | | |
| Investment (Rs in '000) | - | - | 279,214 | 426,776 | - | 166,008 | 871,998 |
| Investment (Units) | - | - | 6,645,828 | 9,990,010 | - | 3,313,849 | 19,949,687 |

June 30, 2017

| | For the period from October 19, 2016 to June 30, 2017 | For the period from December 22, 2016 to June 30, 2017 | For the period from February 20, 2017 to June 30, 2017 | For the period from April 24, 2017 to June 30, 2017 | Total |
|---|---|--|--|---|-----------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| Al Meezan Investment Management Limited - Management Company | | | | | |
| Remuneration for the period (Rs in '000) | 406 | 266 | 310 | 353 | 1,335 |
| Sindh Sales Tax on management fee (Rs in '000) | 53 | 35 | 40 | 46 | 174 |
| Allocated expenses (Rs in '000) | 1,740 | 794 | 499 | 112 | 3,145 |
| Invested during the period (Rs in '000) | - | 100,000 | - | - | 100,000 |
| Invested during the period (Units) | - | 1,999,600 | - | - | 1,999,600 |
| Remuneration payable (Rs in '000) | 9 | 2 | 14 | 285 | 310 |
| Sindh Sales Tax on management fee (Rs in '000) | 1 | - | 2 | 37 | 40 |
| Sales load payable (Rs in '000) | 29 | - | - | 8,685 | 8,714 |
| Sindh Sales Tax on sales load payable (Rs in '000) | 4 | - | - | 1,129 | 1,133 |
| Allocated expenses (Rs in '000) | 224 | 140 | 149 | 98 | 611 |
| Investment (Rs in '000) | - | 98,740 | - | - | 98,740 |
| Investment (Units) | - | 1,999,600 | - | - | 1,999,600 |



June 30, 2017

| | For the period from October 19, 2016 to June 30, 2017 | For the period from December 22, 2016 to June 30, 2017 | For the period from February 20, 2017 to June 30, 2017 | For the period from April 24, 2017 to June 30, 2017 | Total |
|---|---|--|--|---|------------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| Meezan Bank Limited | | | | | |
| Profit on saving account (Rs in '000) | 812 | 539 | 560 | 742 | 2,653 |
| Bank balance (Rs in '000) | 9,487 | 2,172 | 278 | 252,575 | 264,512 |
| Profit receivable (Rs in '000) | 4 | 2 | 26 | 628 | 660 |
| Sales load payable (Rs in '000) | - | - | - | 4,820 | 4,820 |
| Sindh Sales Tax on sales load payable (Rs in '000) | | | | 626 | 626 |
| Central Depository Company of Pakistan Limited - Trustee | | | | | |
| Trustee fee (Rs in '000) | 1,414 | 636 | 393 | 88 | 2,531 |
| Sindh Sales Tax on trustee fee (Rs in '000) | 184 | 82 | 51 | 11 | 328 |
| Trustee fee payable (Rs in '000) | 176 | 110 | 117 | 77 | 480 |
| Sindh Sales Tax on trustee fee payable (Rs in '000) | 23 | 14 | 15 | 10 | 62 |
| Directors and executives of the Management Company | | | | | |
| Invested during the period (Rs in '000) | 323 | | 18,413 | | 18,736 |
| Invested during the period (Units) | 6,156 | | 366,318 | | 372,474 |
| Dividend paid (Rs in '000) | 2,355 | - | - | - | 2,355 |
| Investment (Rs in '000) | 311 | | 17,708 | | 18,019 |
| Investment (Units) | 6,156 | | 366,318 | | 372,474 |
| Al Meezan Mutual Fund | | | | | |
| Invested during the period (Rs in '000) | 276,885 | 595,878 | | 47,055 | 919,818 |
| Invested during the period (Units) | 13,489,277 | 26,045,712 | - | 2,151,219 | 41,686,208 |
| Dividend received (Rs in '000) | 12,885 | 24,878 | | 2,055 | 39,818 |
| Investment (Rs in '000) | 285,163 | 550,606 | | 45,477 | 881,246 |
| Investment (Units) | 13,489,277 | 26,045,712 | - | 2,151,219 | 41,686,208 |
| Meezan Cash Fund | | | | | |
| Invested during the period (Rs in '000) | 211,399 | 132,292 | 214,936 | 356,152 | 914,779 |
| Invested during the period (Units) | 4,033,032 | 2,523,778 | 4,094,901 | 6,724,071 | 17,375,782 |
| Redeemed during the period (Rs in '000) | 203,469 | 200 | 207,000 | 289,514 | 700,183 |
| Redeemed during the period (Units) | 4,033,032 | 3,793 | 4,085,153 | 5,522,518 | 13,644,496 |
| Dividend received (Rs in '000) | 10,423 | 6,571 | 9,436 | 6,649 | 33,079 |
| Investment (Rs in '000) | | 127,083 | 492 | 60,594 | 188,169 |
| Investment (Units) | - | 2,519,985 | 9,748 | 1,201,553 | 3,731,286 |
| Meezan Islamic Fund | | | | | |
| Invested during the period (Rs in '000) | 1,977,388 | 876,399 | 1,554,610 | 1,362,088 | 5,770,485 |
| Invested during the period (Units) | 25,999,486 | 10,307,902 | 18,334,830 | 16,203,703 | 70,845,921 |
| Redeemed during the period (Rs in '000) | 140,000 | | | | 140,000 |
| Redeemed during the period (Units) | 1,637,235 | - | - | - | 1,637,235 |
| Dividend received (Rs in '000) | 114,388 | 48,399 | 86,088 | 76,081 | 324,956 |
| Investment (Rs in '000) | 1,861,520 | 787,627 | 1,400,964 | 1,238,125 | 5,288,236 |
| Investment (Units) | 24,362,251 | 10,307,902 | 18,334,830 | 16,203,703 | 69,208,686 |



Meezan Islamic Income Fund

Invested during the period (Rs in '000)

Invested during the period (Units)

Redeemed during the period (Rs in '000)

Redeemed during the period (Units)

Dividend received (Rs in '000)

Investment (Rs in '000)

Investment (Units)

Unitholders holding 10% or more units of the Fund

Investment (Rs in '000)

Investment (Units)

June 30, 2017

| | For the period from October 19, 2016 to June 30, 2017 | For the period from December 22, 2016 to June 30, 2017 | For the period from February 20, 2017 to June 30, 2017 | For the period from April 24, 2017 to June 30, 2017 | Total |
|---|---|--|--|---|-------------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | Total |
| Invested during the period (Rs in '000) | 2,557,864 | 1,279,074 | 894,995 | 541,579 | 5,273,512 |
| Invested during the period (Units) | 48,935,434 | 24,199,084 | 16,923,712 | 10,195,627 | 100,253,857 |
| Redeemed during the period (Rs in '000) | 2,050,316 | 1,080,095 | 524,082 | 63,002 | 3,717,495 |
| Redeemed during the period (Units) | 39,016,637 | 20,392,525 | 9,818,485 | 1,206,640 | 70,434,287 |
| Dividend received (Rs in '000) | 14,295 | 9,074 | 8,495 | 17,579 | 49,443 |
| Investment (Rs in '000) | 509,727 | 195,619 | 365,138 | 461,944 | 1,532,428 |
| Investment (Units) | 9,918,797 | 3,806,559 | 7,105,227 | 8,988,987 | 29,819,570 |
| Investment (Rs in '000) | - | - | 321,259 | 484,515 | 805,774 |
| Investment (Units) | - | - | 6,645,828 | 9,990,010 | 16,635,838 |

16. FINANCIAL INSTRUMENTS BY CATEGORY**Financial assets**

Balances with banks

Investments

Receivable against sale of investments - net

Profit receivable

| 2018 | | | |
|-----------------------|--------------------------------------|--------------------|-----------|
| Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| (Rupees in '000) | | | |
| 27,781 | - | - | 27,781 |
| - | 8,197,375 | - | 8,197,375 |
| 470 | - | - | 470 |
| 64 | - | - | 64 |
| 28,315 | 8,197,375 | - | 8,225,690 |

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company

Payable to Central Depository Company of Pakistan Limited Trustee

Payable to Meezan Bank Limited

Payable against purchase investments - net

Receivable on conversion of units

Accrued expenses and other liabilities

| 2018 | | |
|--------------------------------------|-------------------|-------|
| At fair value through profit or loss | At amortised cost | Total |
| (Rupees in '000) | | |
| - | 717 | 717 |
| - | 603 | 603 |
| - | - | - |
| - | - | - |
| - | 1,461 | 1,461 |
| - | 984 | 984 |
| - | 3,765 | 3,765 |

Financial assets

Balances with banks

Investments

Receivable against sale of investments - net

Profit receivable

| 2017 | | | |
|-----------------------|--------------------------------------|--------------------|-----------|
| Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| (Rupees in '000) | | | |
| 264,522 | - | - | 264,522 |
| - | 7,890,079 | - | 7,890,079 |
| 10,460 | - | - | 10,460 |
| 660 | - | - | 660 |
| 275,642 | 7,890,079 | - | 8,165,721 |





| | 2017 | | |
|---|--------------------------------------|-------------------|--------|
| | At fair value through profit or loss | At amortised cost | Total |
| | (Rupees in '000) | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | 10,808 | 10,808 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 542 | 542 |
| Payable to Meezan Bank Limited | | 5,446 | 5,446 |
| Payable against purchase investments - net | - | 54,993 | 54,993 |
| Payable against redemption and conversion of units | | 181 | 181 |
| Dividend payable | - | 75 | 75 |
| Accrued expenses and other liabilities | | 23,023 | 23,023 |
| | - | 95,068 | 95,068 |

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

17.1 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.0006 million (2017: Rs. 0.007 million).

b) Sensitivity analysis for fixed rate instruments

As at 30 June 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| | Effective yield /profit rate | As at June 30, 2018 | | | Total | |
|---|------------------------------|-------------------------------------|--|--------------------|------------------|---|
| | | Exposed to yield / profit rate risk | | | | Not exposed to yield / profit rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| ----- (Rupees in '000) ----- | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.00% to 2.40% | 22,940 | - | - | 4,841 | 27,781 |
| Investments | | - | - | - | 8,197,375 | 8,197,375 |
| Receivable on conversion of units | | - | - | - | 470 | 470 |
| Profit receivable | | - | - | - | 64 | 64 |
| | | 22,940 | - | - | 8,202,750 | 8,225,690 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | - | - | 717 | 717 |
| Payable to Central Depository Company of Pakistan Limited Trustee | | - | - | - | 603 | 603 |
| Payable against redemption and conversion of units | | - | - | - | 1,461 | 1,461 |
| Accrued expenses and other liabilities | | - | - | - | 984 | 984 |
| | | - | - | - | 3,765 | 3,765 |
| On-balance sheet gap | | 22,940 | - | - | 8,198,985 | 8,221,925 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - | - |
| Total profit rate sensitivity gap | | 22,940 | - | - | | |
| Cumulative profit rate sensitivity gap | | 22,940 | 22,940 | 22,940 | | |





As at June 30, 2017

| Effective yield / profit rate | Exposed to yield / profit rate risk | | | Not exposed to yield / profit rate risk | Total | |
|---|-------------------------------------|--|--------------------|---|-----------|-----------|
| | Upto three months | More than three months and upto one year | More than one year | | | |
| ----- (Rupees in '000) ----- | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 2.00% to 2.40% | 263,231 | - | - | 1,291 | 264,522 |
| Investments | | - | - | - | 7,890,079 | 7,890,079 |
| Receivable on conversion of units | | - | - | - | 10,460 | 10,460 |
| Other receivables | | - | - | - | 660 | 660 |
| | | 263,231 | | | 7,902,490 | 8,165,721 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | | - | - | - | 10,808 | 10,808 |
| Payable to Central Depository Company of Pakistan Limited Trustee | | - | - | - | 542 | 542 |
| Payable to Meezan Bank Limited | | - | - | - | 5,446 | 5,446 |
| Payable against investments (net) | | - | - | - | 54,993 | 54,993 |
| Payable on redemption and conversion of units | | - | - | - | 181 | 181 |
| Dividend payable | | - | - | - | 75 | 75 |
| Accrued expenses and other liabilities | | - | - | - | 56,447 | 56,447 |
| | | | | | 128,492 | 128,492 |
| On-balance sheet gap | | 263,231 | | | 7,773,998 | 8,037,229 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - | - |
| Total profit rate sensitivity gap | | 263,231 | | | | |
| Cumulative profit rate sensitivity gap | | 263,231 | 263,231 | 263,231 | | |

ii Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

iii Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

17.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| 2018 | | | | | |
|---|---|---|----------------------|---|-----------|
| Within 1 month | More than one month and upto three months | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| (Rupees in '000) | | | | | |
| Financial assets | | | | | |
| Balances with banks | 27,781 | - | - | - | 27,781 |
| Investments | - | - | - | 8,197,375 | 8,197,375 |
| Receivable against sale of investments - net | 470 | - | - | - | 470 |
| Profit receivable | 64 | - | - | - | 64 |
| | 28,315 | - | - | 8,197,375 | 8,225,690 |
| Financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 717 | - | - | - | 717 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 603 | - | - | - | 603 |
| Payable against purchase of investments - net | 7,608 | - | - | - | 7,608 |
| Payable against redemption and conversion of units | 1,461 | - | - | - | 1,461 |
| Accrued expenses and other liabilities | - | 639 | 345 | - | 984 |
| | 10,389 | 639 | 345 | - | 11,373 |
| Net assets / (liabilities) | 17,926 | (639) | (345) | 8,197,375 | 8,214,317 |

| 2017 | | | | | |
|---|---|---|----------------------|---|-----------|
| Within 1 month | More than one month and upto three months | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| (Rupees in '000) | | | | | |
| Financial assets | | | | | |
| Balances with banks | 264,522 | - | - | - | 264,522 |
| Investments | - | - | - | 7,890,079 | 7,890,079 |
| Receivable against issue of units | 10,460 | - | - | - | 10,460 |
| Profit receivable | 660 | - | - | - | 660 |
| | 275,642 | - | - | 7,890,079 | 8,165,721 |
| Financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 10,808 | - | - | - | 10,808 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 542 | - | - | - | 542 |
| Payable to Meezan Bank Limited | 5,446 | - | - | - | 5,446 |
| Payable against purchase investments - net | 54,993 | - | - | - | 54,993 |
| Payable against redemption and conversion of units | 181 | - | - | - | 181 |
| Dividend payable | 75 | - | - | - | 75 |
| Accrued expenses and other liabilities | 22,715 | 308 | - | - | 23,023 |
| | 94,760 | 308 | - | - | 95,068 |
| Net assets / (liabilities) | 180,882 | (308) | - | 7,890,079 | 8,070,653 |





17.3 Credit risk

17.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | | 2017 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| | (Rupees in '000) | | | |
| Balances with banks | 27,781 | 27,781 | 264,522 | 264,522 |
| Investments | 8,197,375 | - | 7,890,079 | - |
| Receivable on conversion of units | - | - | 10,460 | 10,460 |
| Receivable against sale of investments - net | 470 | - | - | - |
| Profit receivable | 64 | 64 | 660 | 660 |
| | 8,225,690 | 27,845 | 8,165,721 | 275,642 |

17.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

| Rating | Amount of financial assets exposed to credit risk | | % of financial assets exposed to credit risk | |
|--------|---|----------------|--|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | ----- (Rupees in '000) ----- | | | |
| AA+ | 110 | 10 | 0.40% | 0.00% |
| AA | 27,671 | 264,512 | 99.60% | 100.00% |
| | 27,781 | 264,522 | 100.00% | 100.00% |

18. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | | 2017 | | |
|--------------------------------------|------------------|-----------------------------|----------|------------------|-----------------------------|----------|
| | Level 1 | Level 2 (Rupees in '000) | Level 3 | Level 1 | Level 2 (Rupees in '000) | Level 3 |
| Financial assets | | | | | | |
| At fair value through profit or loss | 8,197,375 | - | - | 7,890,079 | - | - |
| | 8,197,375 | - | - | 7,890,079 | - | - |

19 UNITHOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 17, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

20. UNIT HOLDING PATTERN OF THE FUND

| | MSAP I | | | MSAP I | | |
|---------------------------|---------------------|---------------------------------------|--|---------------------|---------------------------------------|--|
| | 2018 | | | 2017 | | |
| | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment (Percentage) | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment (Percentage) |
| Individual | 790 | 1,125,189 | 57.84 | 937 | 1,659,717 | 63.15 |
| Director | - | - | - | 1 | 311 | 0.01 |
| Retirement funds | 21 | 248,926 | 12.80 | 21 | 288,232 | 10.96 |
| Insurance companies | 1 | 28,291 | 1.45 | 1 | 32,437 | 1.23 |
| Private limited companies | 6 | 186,224 | 9.57 | 4 | 25,831 | 0.98 |
| Public limited companies | - | - | - | 2 | 147,815 | 5.62 |
| Others | 15 | 356,832 | 18.34 | 17 | 474,333 | 18.05 |
| Total | 833 | 1,945,462 | 100.00 | 983 | 2,628,676 | 100.00 |





| | MSAP II | | | MSAP II | | |
|---------------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | 2018 | | | 2017 | | |
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) | |
| Individual | 660 | 564,948 | 43.82 | 759 | 801,234 | 48.22 |
| Associated companies | 1 | 86,075 | 6.68 | 1 | 98,747 | 5.94 |
| Retirement funds | 17 | 240,660 | 18.67 | 18 | 305,663 | 18.39 |
| Private limited companies | 5 | 152,652 | 11.84 | 2 | 24,982 | 1.50 |
| Public limited companies | - | - | - | 2 | 150,144 | 9.03 |
| Others | 15 | 245,010 | 19.00 | 16 | 281,080 | 16.92 |
| Total | 698 | 1,289,345 | 100.00 | 798 | 1,661,850 | 100.00 |

| | MSAP III | | | MSAP III | | |
|---------------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | 2018 | | | 2017 | | |
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) | |
| Individual | 533 | 965,531 | 67.84 | 585 | 1,229,767 | 69.62 |
| Director | 1 | 14,816 | 1.04 | 2 | 17,709 | 1.00 |
| Retirement funds | 9 | 72,609 | 5.10 | 9 | 83,548 | 4.73 |
| Private limited companies | 2 | 53,511 | 3.76 | 2 | 19,041 | 1.08 |
| Public limited companies | - | - | - | 1 | 51,930 | 2.94 |
| Others | 4 | 316,744 | 22.26 | 4 | 364,462 | 20.63 |
| Total | 549 | 1,423,211 | 100.00 | 603 | 1,766,457 | 100.00 |

| | MSAP IV | | | MSAP IV | | |
|---------------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | 2018 | | | 2017 | | |
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) | |
| Individual | 518 | 1,073,280 | 64.44 | 561 | 1,300,968 | 65.94 |
| Retirement funds | 8 | 49,606 | 2.98 | 8 | 56,312 | 2.85 |
| Insurance companies | 2 | 35,103 | 2.11 | 2 | 39,848 | 2.02 |
| Private limited companies | 3 | 7,198 | 0.43 | 2 | 5,762 | 0.29 |
| Public Companies | - | - | - | 1 | 2,408 | 0.12 |
| Others | 9 | 500,318 | 30.04 | 11 | 567,952 | 28.78 |
| Total | 540 | 1,665,505 | 100.00 | 585 | 1,973,250 | 100.00 |

| | MSAP V | | | MSAP V | | |
|---------------------------|---------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------------|
| | 2018 | | | 2017 | | |
| | Number of investors | Investment amount | Percentage of total investment | Number of investors | Investment amount | Percentage of total investment |
| | (Rupees in '000) | (Percentage) | | (Rupees in '000) | (Percentage) | |
| Individual | 256 | 360,485 | 69.18 | - | - | - |
| Retirement funds | 9 | 81,274 | 15.60 | - | - | - |
| Private limited companies | 3 | 8,509 | 1.63 | - | - | - |
| Public limited companies | 1 | 49,184 | 9.43 | - | - | - |
| Others | 4 | 21,660 | 4.16 | - | - | - |
| Total | 273 | 521,112 | 100.00 | | | |

| | MCPP III | | | MCPP III | | |
|---------------------------|---------------------|---------------------------------------|--|---------------------|---------------------------------------|--|
| | 2018 | | | 2017 | | |
| | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment (Percentage) | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment (Percentage) |
| Individual | 889 | 962,646 | 70.51 | - | - | - |
| Retirement funds | 23 | 172,284 | 12.63 | - | - | - |
| Private limited companies | 1 | 4,973 | 0.36 | - | - | - |
| Others | 11 | 225,268 | 16.50 | - | - | - |
| Total | 924 | 1,365,171 | 100.00 | | | |

21. PERFORMANCE TABLE

| | As at June 30, 2018 | | | | | |
|---|---------------------|-----------|-----------|-----------|---------|-----------|
| | MSAP-I | MSAP-II | MSAP-III | MSAP-IV | MSAP-V | MCPP-III |
| Net assets (Rs. '000) (ex distribution) | 1,945,462 | 1,289,345 | 1,423,211 | 1,665,505 | 521,112 | 1,365,171 |
| Net assets value / redemption price per unit (ex distribution) as at June 30 (Rs.) (ex distribution) | 44.0138 | 43.0461 | 42.0135 | 42.7203 | 48.7410 | 50.0951 |
| Offer price per unit as at June 30 (Rs.) | - | - | - | - | - | - |
| Highest offer price per unit (Rs.) | - | - | - | - | 51.7900 | 52.1573 |
| Lowest offer price per unit (Rs.) | - | - | - | - | 49.8200 | 51.7000 |
| Highest redemption price per unit (Rs.) | 51.0385 | 49.9342 | 48.8533 | 49.2344 | 50.0857 | 50.4471 |
| Lowest redemption price per unit (Rs.) | 41.4209 | 40.5171 | 39.6017 | 40.2225 | 48.1920 | 50.0001 |
| Total return (%) | -12.80% | -12.80% | -13.10% | -11.90% | -2.50% | 0.20% |
| Average annual return as at June 30, 2018 (%) | -12.80% | -12.80% | -13.10% | -11.90% | -2.50% | 0.20% |

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

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

22. INVESTMENT COMMITTEE MEMBERS

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

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

The Fund Manager of this Fund is Mr. Asif Imtiaz. Other Funds being managed by the Fund Manager are:

- KSE- Meezan Index Fund
- Meezan Dedicated Equity Fund
- Meezan Strategic Allocation Fund - II
- Meezan Financial Planning Fund of Funds
- Meezan Balanced Fund





23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed* | Director | - | - | - | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | - |
| Ms. Saima Kamila Khan ** | Director | - | - | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | - | - | - |
| Mazhar Sharif *** | Director | Yes | Yes | - | - | - |
| Mr. Naeem Sattar *** | Director | - | - | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

* Syed Amir Ali resigned and the board in his place appointed Mr. Arshad Majeed as Director in the elections held in December 2017 for the remaining term. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

** Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

*** Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

24. CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

There are no corresponding figures in Meezan Strategic Allocation Plan V and Meezan Capital Preservation Plan III as these plans commenced its operations from August 15, 2017 and December 19, 2017 respectively.

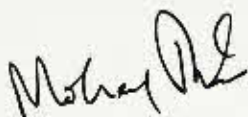
25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

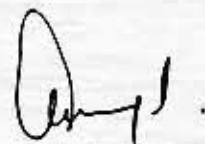
26. GENERAL

Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

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



**Mohammad Shoaib, CFA
Chief Executive**

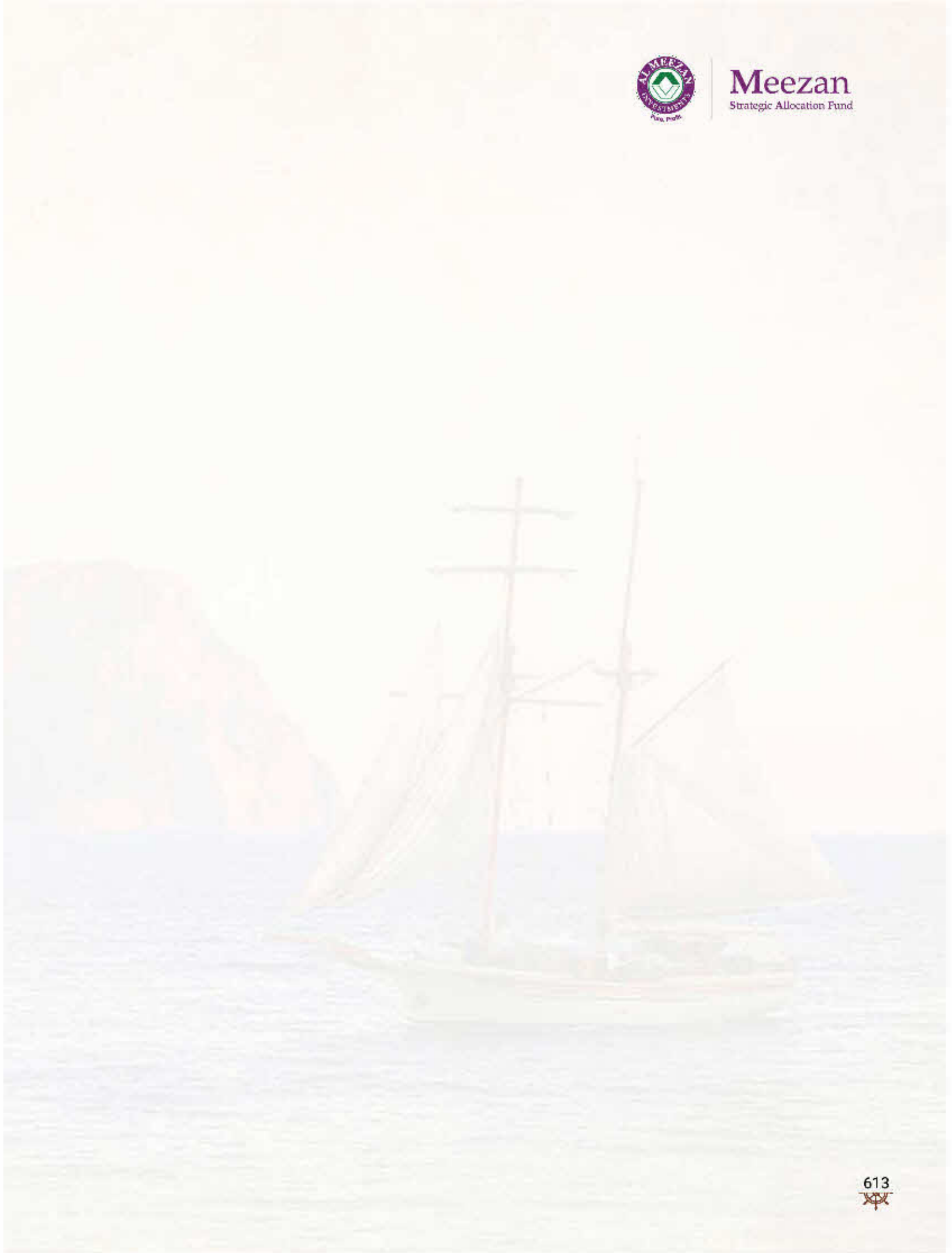


**Syed Amir Ali Zaidi
Director**





Meezan
Strategic Allocation Fund





Meezan

Strategic Allocation Fund-II

MEEZAN STRATEGIC ALLOCATION FUND-II (MSAF-II)

Meezan Strategic Allocation Fund-II is a Shariah compliant scheme which will use active asset allocation strategy for providing competitive returns on your investment. It is a unique asset allocation fund for investors who wish to benefit from the equity market and want an actively managed investment portfolio with diversification.



FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoab, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Ariful Islam | Member |
| Mr. Naeem Abdul Sattar | 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

A. F. Ferguson & Co.
Chartered Accountants
State Life Building # 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Meezan Bank Limited

LEGAL ADVISER

Bawaney & Partners
3rd & 4th Floor, 66-C, Lane-13, Bokhari Commercial Area,
Phase VI, DHA, Karachi.
Phone: (9221) 35156191-94 Fax: (9221) 35156195
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





REPORT OF THE FUND MANAGER FOR THE PERIOD FROM MARCH 06, 2018 TO JUNE 30, 2018

Type of Fund

MSAF - II is a perpetual Shariah Compliant (Islamic) Fund of Funds Scheme.

Objective

The fund aims to generate returns on Investments as per respective Allocation Plans by investing in Shariah Compliant Fixed Income and Equity Mutual Funds in line with risk/return preference of the investor, Strategy and Investment Policy

MSAF - II has two Allocation Plans which allow investors to invest according to their risk tolerance levels.

These are closed end Plans which are suitable for Investors having a relatively moderate risk tolerance and/or wish to earn a relatively higher return over the medium term. These can switch exposure between Shariah compliant equity and fixed income mutual funds without any minimum or maximum limits, subject to expectations regarding the market performance.

In line with these different allocation plans, the benchmarks are also a weighted average combination of KSE Meezan Index 30 and Fixed Income/Money Market Schemes performance, according to the invested percentages in both the asset classes.

| | |
|---|--|
| Meezan Strategic Allocation Plan - MCPP-IV | Weighted avg. return of KMI 30 Index and Fixed Income/ Money Market Scheme as per actual allocation. |
| Meezan Strategic Allocation Plan - MCPP-V | |

Performance Table with Benchmark

| Returns - FY18 | |
|-----------------------|--------|
| M CPP IV [#] | -0.40% |
| Benchmark | -1.01% |
| M CPP V ^{##} | 0.1% |
| Benchmark | 0.1% |

[#] The Fund was launched on March 6, 2018

^{##} The Fund was launched on May 4, 2018

Meezan Strategic Allocation Fund - II (M CPP-IV)

The Meezan Strategic Allocation Fund -II (M CPP-IV) posted a total loss of Rs. 18 million from the period March 06, 2018 to June 30, 2018 as the Plan was launched on March 06, 2018. Total loss comprised of realized loss on investments of Rs. 22 million while the unrealized gain and profit on saving account with banks amounted to Rs. 4 million and Rs. 0.47 million respectively. After accounting for expenses of Rs. 2 million, the Fund posted a net loss of Rs. 20 million. The net assets of the Plan as at June 30, 2018 were Rs. 2,115 million. The net asset value per unit as at June 30, 2018 was Rs. 49.80.

Meezan Strategic Allocation Fund - II (MCPV-V)

The Meezan Strategic Allocation Fund - II (MCPV-V) posted a total income of Rs. 0.204 million from the period May 04, 2018 to June 30, 2018 as the Plan was launched on May 04, 2018. Total income comprised of unrealized gain on investments of Rs. 0.705 million while the realized loss and profit on saving account with banks amounted to Rs. 0.762 million and Rs. 0.261 million respectively. After accounting for expenses of Rs. 0.357 million, the Fund posted a net loss of Rs. 0.15 million. The net assets of the Plan as at June 30, 2018 were Rs. 733 million. The net asset value per unit as at June 30, 2018 was Rs. 50.03.

Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2018.

Breakdown of unit holdings by size

(As on June 30, 2018)

| Range (Units) | MSAF- II- MCPV-IV No. of investors | MSAF- II- MCPV-V No. of Investors |
|----------------------|---|--|
| 1 - 9,999 | 783 | 409 |
| 10,000 - 49,999 | 500 | 198 |
| 50,000 - 99,999 | 95 | 27 |
| 100,000 - 499,999 | 60 | 20 |
| 500,000 and above | 7 | 2 |
| Total | 1,445 | 656 |





Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor–Meezan Strategic Allocation Fund-II

July 17, 2018/ Dhu Al-Qi'dah 3, 1439

Alhamdulillah, the period from July 1, 2017 to June 30, 2018 was the first year of operations of Meezan Strategic Allocation Fund-II (MSAF-II) under management of Al Meezan Investment Management Limited (Al Meezan). The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, I hereby certify that:

- i. I have reviewed and approved the modes of investments of MSAF-II in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSAF-II by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSAF-II for the year ended June 30, 2018 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shari'ah Advisor

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shakra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN STRATEGIC ALLOCATION FUND-II

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Strategic Allocation Fund-II (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from March 06, 2018 to June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2018





A.F.FERGUSON & Co.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Strategic Allocation Fund II

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Strategic Allocation Fund II (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the period from March 06, 2018 to June 30, 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the period from March 06, 2018 to June 30, 2018 in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|---|--|
| 1 | <p>Amendments to NBFC Regulations, 2008</p> <p>(Refer note 3.10 to the annexed financial statements)</p> <p>During the current period, the Securities and Exchange Commission of Pakistan (SECP) through its notification [SRO 756 (I) / 2017] dated August 3, 2017 has prescribed a new definition of element of income. As per the notification, the element of income is considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The SECP notification also stipulates that the accounting income available for distribution as appearing in the "Income Statement" excludes income already paid on units redeemed during the period. Accordingly, the net amount appearing on the</p> | <p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the requirements with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to assess their compliance with the regulations.</p> <p>We verified disclosures to ensure that these are in compliance with the applicable accounting and reporting framework.</p> |

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigur Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

| S. No. | Key Audit Matters | How the matter was addressed in our audit |
|--------|--|--|
| | <p>"Income Statement" after deducting the income already paid on units redeemed is to be considered as the distributable amount.</p> <p>The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current period and therefore we considered these developments as key audit matter.</p> | |
| 2 | <p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 2,729.75 million and balances with banks aggregated to Rs 140.98 million.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of the Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

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In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

ALL



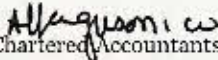
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From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


Chartered Accountants
Karachi

Date: September 19, 2018





STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

| | | June 30, 2018 | | |
|---|------|-------------------|-------------------|------------------|
| | | MCCP-IV | MCCP-V | Total |
| | | (Rupees in '000) | | |
| | Note | | | |
| Assets | | | | |
| Balances with banks | 4 | 1,743 | 139,238 | 140,981 |
| Investments | 5 | 2,122,153 | 607,593 | 2,729,746 |
| Receivable against conversion of units | | - | 2,789 | 2,789 |
| Profit accrued on balances with banks | | 8 | 142 | 150 |
| Total assets | | 2,123,904 | 749,762 | 2,873,666 |
| Liabilities | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 6 | 184 | 9,255 | 9,439 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 7 | 166 | 39 | 205 |
| Payable to Meezan Bank Limited | | - | 5,913 | 5,913 |
| Payable to Securities and Exchange Commission of Pakistan | 8 | 463 | 51 | 514 |
| Payable against redemption and conversion of units | | 153 | 5 | 158 |
| Accrued expenses and other liabilities | 9 | 7,568 | 1,131 | 8,699 |
| Total liabilities | | 8,534 | 16,394 | 24,928 |
| Net assets | | 2,115,370 | 733,368 | 2,848,738 |
| Contingencies and commitments | 10 | | | |
| Unitholders' fund (as per statement attached) | | 2,115,370 | 733,368 | 2,848,738 |
| Number of units in issue | | 42,477,616 | 14,658,622 | |
| | | (Rupees) | | |
| Net asset value per unit | | 49.7996 | 50.0298 | |

The annexed notes 1 to 24 form an integral part of these financial statements.

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**

STATEMENT OF INCOME STATEMENT

FOR THE PERIOD FROM MARCH 06, 2018 TO JUNE 30, 2018

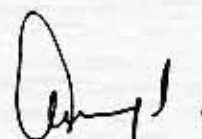
| | Note | For the period from | For the period | Total |
|---|------|---------------------------------|------------------------------------|-----------------|
| | | March 06, 2018 to June 30, 2018 | from May 04, 2018 to June 30, 2018 | |
| | | MCCP-IV | MCCP-V | |
| | | (Rupees in '000) | | |
| Income | | | | |
| Profit on balances with banks | | 469 | 261 | 730 |
| Loss on sale of investments | | (22,442) | (762) | (23,204) |
| | | (21,973) | (501) | (22,474) |
| Net unrealised appreciation on re-measurement of investments - 'at fair value through profit or loss' | 5.1 | 4,226 | 705 | 4,931 |
| Total (loss) / income | | (17,747) | 204 | (17,543) |
| Expenses | | | | |
| Remuneration to Al Meezan Investment Management Limited - Management Company | 6.1 | 305 | 131 | 436 |
| Sindh Sales Tax on remuneration to Management Company | 6.2 | 40 | 17 | 57 |
| Allocated expenses | 6.3 | 487 | 53 | 540 |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee | 7.1 | 425 | 46 | 471 |
| Sindh Sales Tax on remuneration of the Trustee | 7.2 | 55 | 6 | 61 |
| Annual fee to Securities and Exchange Commission of Pakistan | | 463 | 51 | 514 |
| Auditors' remuneration | 11 | 123 | 27 | 150 |
| Fees and subscription | | 122 | 9 | 131 |
| Printing charges | | 182 | 12 | 194 |
| Bank and settlement charges | | 16 | 4 | 20 |
| Total expenses | | 2,218 | 356 | 2,574 |
| Net loss for the period before taxation | | (19,965) | (152) | (20,117) |
| Taxation | 12 | - | - | - |
| Net loss for the period after taxation | | (19,965) | (152) | (20,117) |
| Allocation of net income for the year | | | | |
| Net income for the year after taxation | | - | - | - |
| Income already paid on units redeemed | | - | - | - |
| | | - | - | - |
| Accounting income available for distribution | | | | |
| - Relating to capital gains | | - | - | - |
| - Excluding capital gains | | - | - | - |

The annexed notes 1 to 24 form an integral part of these financial statements.

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director





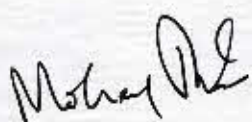
STATEMENT OF COMPREHENSIVE INCOME

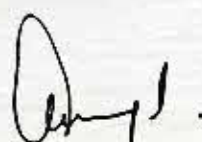
FOR THE PERIOD FROM MARCH 06, 2018 TO JUNE 30, 2018

| | For the period from March 06, 2018 to June 30, 2018 | For the period from May 04, 2018 to June 30, 2018 | |
|--|---|---|-----------------|
| Note | MCPP-IV | MCPP-V | Total |
| | (Rupees in '000) | | |
| Net loss for the period after taxation | (19,965) | (152) | (20,117) |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive loss for the period | (19,965) | (152) | (20,117) |

The annexed notes 1 to 24 form an integral part of these financial statements.

For AI Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE PERIOD FROM MARCH 06, 2018 TO JUNE 30, 2018

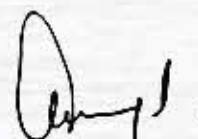
| | For the period from March 06, 2018 to June 30, 2018 MCPP-IV (Rupees in '000) | | | For the period from May 04, 2018 to June 30, 2018 MCPP-V (Rupees in '000) | | | For the period from March 06, 2018 to June 30, 2018 Total (Rupees in '000) | | |
|--|---|-------------------------|------------------|--|-------------------------|----------------|---|-------------------------|------------------|
| | Capital Value | Undistributed Income | Total | Capital Value | Undistributed Income | Total | Capital Value | Undistributed Income | Total |
| Issuance of | | | | | | | | | |
| MCPP-IV: 43,678,460 units / | | | | | | | | | |
| MCPP-V: 14,766,103 units | | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the period) | 2,183,923 | - | 2,183,923 | 738,305 | - | 738,305 | 2,922,228 | - | 2,922,228 |
| Element of income | 11,371 | - | 11,371 | 583 | - | 583 | 11,954 | - | 11,954 |
| Total proceeds on issuance of units | 2,195,294 | - | 2,195,294 | 738,888 | - | 738,888 | 2,934,182 | - | 2,934,182 |
| Redemption of | | | | | | | | | |
| MCPP-IV: 1,200,844 units / | | | | | | | | | |
| MCPP-V: 107,481 units | | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the period) | 60,043 | - | 60,043 | 5,374 | - | 5,374 | 65,417 | - | 65,417 |
| Element of income | (84) | - | (84) | (6) | - | (6) | (90) | - | (90) |
| Total payments on redemption of units | 59,959 | - | 59,959 | 5,368 | - | 5,368 | 65,327 | - | 65,327 |
| Total comprehensive loss for the period | - | (19,965) | (19,965) | - | (152) | (152) | - | (20,117) | (20,117) |
| Distribution during the period | - | - | - | - | - | - | - | - | - |
| Net loss for the period less distribution | - | (19,965) | (19,965) | - | (152) | (152) | - | (20,117) | (20,117) |
| Net assets at end of the period | 2,135,335 | (19,965) | 2,115,370 | 733,520 | (152) | 733,368 | 2,868,855 | (20,117) | 2,848,738 |
| Undistributed income carried forward | | | | | | | | | |
| Realised loss | | (24,191) | | | (857) | | | (25,048) | |
| Unrealised income | | 4,226 | | | 705 | | | 4,931 | |
| | | (19,965) | | | (152) | | | (20,117) | |
| Accounting income available for distribution | | | | | | | | | |
| - Relating to capital gains | - | | | - | | | - | | |
| - Excluding capital gains | - | | | - | | | - | | |
| | | | | | | | | | |
| | | Rupees | | | Rupees | | | | |
| Net asset value per unit as at end of the period | | 49.7996 | | | 50.0298 | | | | |

The annexed notes 1 to 24 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**



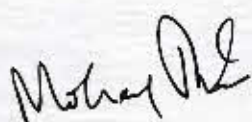
CASH FLOW STATEMENT

FOR THE PERIOD FROM MARCH 06, 2018 TO JUNE 30, 2018

| | Note | For the period from March 06, 2018 to June 30, 2018 | For the period from May 04, 2018 to June 30, 2018 | |
|--|------|---|---|-------------|
| | | MCPP-IV | MCPP-V | Total |
| (Rupees in '000) | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net loss for the period before taxation | | (19,965) | (152) | (20,117) |
| Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.1 | (4,226) | (705) | (4,931) |
| | | (24,191) | (857) | (25,048) |
| Increase in assets | | | | |
| Investments - net | | (2,117,927) | (606,888) | (2,724,815) |
| Profit accrued on balances with banks | | (8) | (142) | (150) |
| | | (2,117,935) | (607,030) | (2,724,965) |
| Increase in liabilities | | | | |
| Payable to AI Meezan Investment Management Limited - Management Company | | 184 | 9,255 | 9,439 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 166 | 39 | 205 |
| Payable to Meezan Bank Limited | | - | 5,913 | 5,913 |
| Payable to Securities and Exchange Commission of Pakistan | | 463 | 51 | 514 |
| Accrued expenses and other liabilities | | 7,568 | 1,131 | 8,699 |
| | | 8,381 | 16,389 | 24,770 |
| Net cash used in operating activities | | (2,133,745) | (591,498) | (2,725,243) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts against conversion of units | | 2,195,294 | 736,099 | 2,931,393 |
| Payment against redemption and conversion of units | | (59,806) | (5,363) | (65,169) |
| Net cash generated from financing activities | | 2,135,488 | 730,736 | 2,866,224 |
| Net increase in cash and cash equivalents | | 1,743 | 139,238 | 140,981 |
| Cash and cash equivalents at the beginning of the year | | - | - | - |
| Cash and cash equivalents at end of the period | 4 | 1,743 | 139,238 | 140,981 |

The annexed notes 1 to 24 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM MARCH 06, 2018 TO JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Strategic Allocation Fund II (MSAF - II) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on January 15, 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Fund is registered as a Notified entity under the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations) issued through S.R.O.1203(I)/2008 on October 10, 2016. The Management Company has been licensed by the SECP to act as an Asset Management Company under the the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The Fund has been formed to enable the unitholders to participate in a diversified portfolio of equity schemes and fixed income / money market schemes, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah guidelines. The Management Company 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.
- 1.3 The Fund is an open-end Shariah compliant Fund of Funds Scheme listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis till the end of the subscription period. However, the subscription in units may be reopened for fresh issuance by the Management Company with prior approval of the Commission after intimation to the Trustee and by providing notice to investors in order to protect the interest of the unitholders. The units of the plan are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 Title to the assets of the Fund are held in the name of Central Depository Company as the Trustee of the Fund. The Fund's property comprises of different types of allocation plans which are accounted for and maintained separately in the books of accounts and collectively constitute the Fund's property.
- 1.5 The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.6 As per the offering document approved by the SECP, the accounting period, in case of the first such period, shall commence from the date on which the trust property is first paid or transferred to the Trustee. Accordingly these financial statements have been prepared from March 6, 2018 to June 30, 2018 (former being the date from which the proceeds from the issue of units were received). The initial offering of Meezan Capital Preservation Plan-IV (MCPPIV) and Meezan Capital Preservation Plan-V (MCPPIV) was on March 6, 2018 and May 4, 2018 for one business day respectively.
- 1.7 The fund generates returns on investment as per allocation plans (sub funds) namely Meezan Capital Preservation Plan-IV (MCPPIV) and Meezan Capital Preservation Plan-V (MCPPIV) by investing in Shariah compliant fixed income / money market and equity mutual funds in line with the risk tolerance of the investor. Investors of the Fund may hold different types of allocation plans and may invest in any one or more of the available allocation plans. The management may also invest in other Collective Investments Schemes available to it with prior approval of SECP.
- 1.8 In the current period, two plans Meezan Capital Preservation Plan - IV (MCPPIV) and Meezan Capital Preservation Plan - V (MCPPIV) were introduced. The brief description of the plans are as follows:





| | |
|--|---|
| Meezan Capital Preservation Plan-IV (MCP-IV) | Low risk - High return through asset allocation This allocation plan commenced its operations from March 06, 2018 and can invest its portfolio between the Equity asset classes / Schemes and Fixed Income or Money Market asset classes / Schemes based on the macroeconomic view and outlook of such asset classes up to 100 percent. The initial maturity of this plan is two and a half years from the close of the subscription period. Units shall be subject to front end load. |
| Meezan Capital Preservation Plan-V (MCP-IV) | Low risk - High return through asset allocation This allocation plan commenced its operations from May 04, 2018 and can invest its portfolio between the Equity asset classes / Schemes and Fixed Income or Money Market asset classes / Schemes based on the macroeconomic view and outlook of such asset classes up to 100 percent. The initial maturity of this plan is two and a half years from the close of the subscription period. Units shall be subject to front end load. |

Each allocation plan announces separate Net Asset Values which ranks Pari Passu according to the number of units of the respective allocation plans. The books and records of each plan have been maintained separately.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments | July 01, 2018 |
| - IFRS 15 - Revenue from Contracts with Customers | July 01, 2018 |
| - IFRS 16 - Leases | January 01, 2019 |

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 13).

2.4 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which is measured at fair value.

2.5 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Funds operates. These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial instruments

3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

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

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

(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 those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date generally i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases and sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of units in Collective Investment Scheme

The investments of the Fund in collective investment scheme are valued on the basis of daily net assets value (NAV) announced by the management company.

Net gains and losses arising from changes in the fair value of financial assets at fair value through profit and loss account are taken to the 'income statement'.

b) Loans and receivables

These are carried at amortised cost using the effective yield method.

3.3.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount. For loans and receivables the amount of the provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

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

3.7 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

3.8 Issue and redemption of units

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

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

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.10 Element of income

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. The element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying





in unit holders fund shall be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Dividend income is recognized when the Fund's right to receive the same is established. i.e. on the date of book closure of the investee fund declaring the dividend.
- Profit on balances with banks is recognized on time proportion basis using the effective yield method.

3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates. The charge for current tax also include adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

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

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

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

3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

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

3.16 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

4. BALANCES WITH BANKS

| | Note | MCP-IV | MCP-V (Rupees in '000) | Total |
|------------------------|------|--------------|---------------------------|----------------|
| Balance with banks in: | | | | |
| Saving accounts | 4.1 | 1,742 | 139,238 | 140,980 |
| Current accounts | | 1 | - | 1 |
| | | <u>1,743</u> | <u>139,238</u> | <u>140,981</u> |

4.1 The balance in saving accounts have expected profit rates ranging from 2.00% to 2.40% per annum.

5. INVESTMENTS

| | Note | June 30, 2018 | | |
|---|------|------------------|---------------------------|------------------|
| | | MCP-IV | MCP-V (Rupees in '000) | Total |
| Investments - 'at fair value through profit or loss' | | | | |
| - Held for trading - units of mutual funds | 5.1 | <u>2,122,153</u> | <u>607,593</u> | <u>2,729,746</u> |

5.1 Held for Trading - Units of mutual funds

| Name of investee funds | Acquired during the period | Redemptions during the period | As at June 30, 2018 | June 30, 2018 | | Percentage in relation to market value as a percentage of total investments |
|---|----------------------------|-------------------------------|---------------------|------------------------------------|----------------------------------|---|
| | | | | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | |
| | | | No. of units | (Rupees in '000) | (Percentage) | |
| Meezan Capital Preservation Plan - IV | | | | | | |
| Meezan Dedicated Equity Fund | 15,477,331 | 8,474,087 | 7,003,244 | 350,311 | 339,919 | 16% |
| Meezan Cash Fund | 49,784,653 | 15,895,175 | 33,889,478 | 1,767,616 | 1,782,234 | 84% |
| | | | | <u>2,117,927</u> | <u>2,122,153</u> | <u>100%</u> |
| Meezan Capital Preservation Plan - V | | | | | | |
| Meezan Dedicated Equity Fund | 3,100,087 | 978,303 | 2,121,785 | 103,804 | 102,986 | 17% |
| Meezan Cash Fund | 12,517,489 | 2,922,299 | 9,595,190 | 503,084 | 504,607 | 83% |
| | | | | <u>606,888</u> | <u>607,593</u> | <u>100%</u> |
| Total investments in units of mutual funds | | | | | | |
| Meezan Dedicated Equity Fund | 18,577,418 | 9,452,390 | 9,125,029 | 454,115 | 442,905 | 16% |
| Meezan Cash Fund | 62,302,141 | 18,817,473 | 43,484,668 | 2,270,700 | 2,286,841 | 84% |
| | | | | <u>2,724,815</u> | <u>2,729,746</u> | <u>100%</u> |





6. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY

| | Note | June 30, 2018 | |
|---|------|------------------|--------------|
| | | MCPP-IV | MCPP-V |
| | | (Rupees in '000) | |
| Management fee payable | 6.1 | 9 | 81 |
| Sindh Sales Tax payable on remuneration of the -Management Company | 6.2 | 1 | 11 |
| Allocated Expenses | 6.3 | 174 | 41 |
| Sales load payable | | - | 8,073 |
| Sindh Sales Tax on sales load | | - | 1,049 |
| | | 184 | 9,255 |

6.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 1.5% of average annual net assets in case of a Fund of Funds Scheme. The remuneration of the Management Company has been charged at the rate of 1% of daily bank balance for the period from March 06, 2018 to June 30, 2018.

6.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through the Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the period SST at the rate of 13% was charged on the remuneration of Management Company, sales load and trustee fee.

6.3 The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

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

| | Note | June 30, 2018 | |
|--|------|------------------|-----------|
| | | MCPP-IV | MCPP-V |
| | | (Rupees in '000) | |
| Trustee fee payable | 7.1 | 147 | 35 |
| Sindh Sales Tax payable on trustee fee | 7.2 | 19 | 4 |
| | | 166 | 39 |

7.1 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 value of the Fund.

The remuneration of the Trustee for the year ended June 30, 2018 has been calculated as per the following applicable tariff:

| Net assets | Tariff |
|---------------------|--|
| Up to 1,000 million | 0.10% per annum |
| Over 1,000 million | Rs. 1 million plus 0.075% p.a. of Net Assets exceeding Rs. 1,000 million |

7.2 During the current period, an amount of Rs 0.023 million was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.182 million was paid to the Trustee which acts as a collecting agent.

8. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee at the rate of 0.095% of the average annual net assets of the fund payable to SECP under regulation 62 read with Schedule II of NBFC Regulation.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

| | June 30, 2018 | | |
|--------------------------------|------------------|--------------|--------------|
| | M CPP-IV | M CPP-V | Total |
| | (Rupees in '000) | | |
| Auditors' remuneration payable | 123 | 27 | 150 |
| Shariah advisor fee payable | | | |
| Printing charges payable | 182 | 13 | 195 |
| Zakat payable | 2 | - | 2 |
| Sales load payable | 6,315 | 949 | 7,264 |
| Sindh Sales Tax on sales load | 821 | 123 | 944 |
| Withholding Tax | 3 | - | 3 |
| Other Payable | - | 10 | 10 |
| | <u>7,568</u> | <u>1,131</u> | <u>8,699</u> |

10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018.

11. AUDITORS' REMUNERATION

| | June 30, 2018 | | |
|------------------|------------------|---------|-------|
| | M CPP-IV | M CPP-V | Total |
| | (Rupees in '000) | | |
| Annual audit fee | 123 | 27 | 150 |

12. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders.

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

13. TOTAL EXPENSE RATIO

The Total Expense Ratio of the Fund for the period ended June 30, 2018 is 0.23% & 0.34% which include 0.06% & 0.07% representing government levy, Worker Welfare Fund and SECP fee for M CPP - IV and M CPP-V respectively. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Fund of Fund.

14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES





- 14.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and Executives of the Management Company, other funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited Employees' Gratuity Fund and unitholders holding 10% or more of the Fund's net assets.
- 14.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 14.3** Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Rules, the NBFC Regulations and the Trust Deed respectively.
- 14.4** Detail of transactions with connected persons and balances with them are as follows:

| | MCCP-IV | MCCP-V |
|--|--|--|
| | For the period from March 6, 2018 to June 30, 2018 | For the period from May 4, 2018 to June 30, 2018 |
| | ----- (Rupees in '000) ----- | |
| Al Meezan Investment Management Limited | | |
| - Management Company | | |
| - Transactions during the period | | |
| Remuneration for the period (Rs in '000) | 305 | 131 |
| Sindh Sales Tax on management fee (Rs in '000) | 40 | 17 |
| Allocated expenses (Rs in '000) | 487 | 53 |
| Meezan Dedicated Equity Fund | | |
| Invested during the period (Rs in '000) | 796,500 | 153,000 |
| Invested during the period (Units) | 15,477,331 | 3,100,087 |
| Redeemed during the period (Rs in '000) | 420,850 | 48,100 |
| Redeemed during the period (Units) | 8,474,087 | 978,303 |
| Investment (Rs in '000) | 339,919 | 102,986 |
| Investment (Units) | 7,003,244 | 2,121,785 |
| Meezan Cash Fund | | |
| Invested during the period (Rs in '000) | 2,595,000 | 656,100 |
| Invested during the period (Units) | 49,784,653 | 12,517,489 |
| Redeemed during the period (Rs in '000) | 830,280 | 153,350 |
| Redeemed during the period (Units) | 15,895,175 | 2,922,299 |
| Investment (Rs in '000) | 1,782,234 | 504,607 |
| Investment (Units) | 33,889,478 | 9,595,190 |
| - Balances | | |
| | MCCP-IV | MCCP-V |
| | As at 30, June 2018 | |
| Remuneration payable (Rs in '000) | 9 | 81 |
| Sindh Sales Tax on management fee (Rs in '000) | 1 | 11 |
| Allocated expenses payable (Rs in '000) | 174 | 41 |
| Sales load payable | - | 9,122 |

Meezan Bank Limited

Profit on saving account (Rs in '000)
 Bank balance (Rs in '000)
 Profit receivable (Rs in '000)

| MCCP-IV | MCCP-V |
|--|--|
| For the period from March 6, 2018 to June 30, 2018 | For the period from May 4, 2018 to June 30, 2018 |
| (Rupees in '000) | |
| 469 | 261 |
| <u>1,743</u> | <u>139,238</u> |
| 8 | 142 |

-Balances

Sales load payable

| MCCP-IV | MCCP-V |
|---------------------|--------|
| As at 30, June 2018 | |
| - | 5,913 |

Central Depository Company of Pakistan Limited - Trustee
-Transactions during the period

Trustee fee (Rs in '000)
 Sindh Sales Tax on trustee fee (Rs in '000)

| MCCP-IV | MCCP-V |
|--|--|
| For the period from March 6, 2018 to June 30, 2018 | For the period from May 4, 2018 to June 30, 2018 |
| (Rupees in '000) | |
| 425 | 46 |
| <u>55</u> | <u>6</u> |

-Balances

Trustee fee payable (Rs. in '000)
 Sindh Sales Tax on trustee fee payable (Rs. in '000)

| MCCP-IV | MCCP-V |
|---------------------|----------|
| As at 30, June 2018 | |
| 147 | 35 |
| <u>19</u> | <u>4</u> |

Directors and Executives of the Management Company

Investment (Rs in '000)
 Investment (Units)

| | |
|---------------|----------|
| 4,969 | - |
| <u>99,772</u> | <u>-</u> |

15. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 | | | |
|--|-----------------------|--------------------------------------|--------------------|------------------|
| | Loans and receivables | At fair value through profit or loss | Available-for-sale | Total |
| (Rupees in '000) | | | | |
| Financial assets | | | | |
| Balances with banks | 140,981 | - | - | 140,981 |
| Investments | - | 2,729,746 | - | 2,729,746 |
| Receivable against conversion of units | 2,789 | - | - | 2,789 |
| Profit accrued on balances with banks | 150 | - | - | 150 |
| | <u>143,920</u> | <u>2,729,746</u> | <u>-</u> | <u>2,873,666</u> |





| | 2018 | | |
|---|--------------------------------------|-------------------|--------|
| | At fair value through profit or loss | At amortised cost | Total |
| | (Rupees in '000) | | |
| Financial liabilities | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | - | 9,439 | 9,439 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 205 | 205 |
| Payable to Meezan Bank Limited | - | 5,913 | 5,913 |
| Payable against redemption and conversion of units | - | 158 | 158 |
| Accrued expenses and other liabilities | - | 7,750 | 7,750 |
| | - | 23,465 | 23,465 |

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

16.1 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.002 million.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

| As at June 30, 2018 | | | | | |
|---|-------------------------------------|--|--------------------|---|-----------|
| Effective yield / profit rate | Exposed to yield / profit rate risk | | | Not exposed to yield / profit rate risk | Total |
| | Upto three months | More than three months and upto one year | More than one year | | |
| (Rupees in '000) | | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Balances with banks | 2.00% to 2.40% | 140,981 | - | - | 140,981 |
| Investments | | - | - | 2,729,746 | 2,729,746 |
| Receivable against conversion of units | | - | - | 2,789 | 2,789 |
| Profit accrued on balances with banks | | | | 150 | 150 |
| | | 140,981 | - | 2,732,685 | 2,873,666 |
| Financial liabilities | | | | | |
| Payable to Al Meezan Investment Management Limited Management Company | | - | - | 9,439 | 9,439 |
| Payable to Central Depository Company of Pakistan Limited Trustee | | - | - | 205 | 205 |
| Payable to Meezan Bank Limited | | - | - | 5,913 | 5,913 |
| Payable on redemption and conversion of units | | - | - | 158 | 158 |
| Accrued expenses and other liabilities | | - | - | 7,750 | 7,750 |
| | | - | - | 23,465 | 23,465 |
| On-balance sheet gap | | 140,981 | - | 2,709,220 | 2,850,201 |
| Off-balance sheet financial instruments | | | | | |
| | | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - |
| Total profit rate sensitivity gap | | 140,981 | - | - | - |
| Cumulative profit rate sensitivity gap | | 140,981 | - | - | - |

ii Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

iii Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

16.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.





As per the NBFC Regulations the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the period for any of the sub-funds.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

| | 2018 | | | | | Total |
|---|----------------|---|--|-------------------|--|-----------|
| | Within 1 month | More than one month and upto three months | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | |
| (Rupees in '000) | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 140,981 | - | - | - | - | 140,981 |
| Investments | - | - | - | - | 2,729,746 | 2,729,746 |
| Receivable against conversion of units | 2,789 | - | - | - | - | 2,789 |
| Profit accrued on balances with banks | 150 | - | - | - | - | 150 |
| | 143,920 | - | - | - | 2,729,746 | 2,873,666 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Management Company | 9,439 | - | - | - | - | 9,439 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 205 | - | - | - | - | 205 |
| Payable to Meezan Bank Limited | 5,913 | - | - | - | - | 5,913 |
| Payable against redemption and conversion of units | 158 | - | - | - | - | 158 |
| Accrued expenses and other liabilities | - | 486 | - | - | - | 486 |
| | 15,715 | 486 | - | - | - | 16,201 |
| Net assets / (liabilities) | 128,205 | (486) | - | - | 2,729,746 | 2,857,465 |

16.3 Credit risk

16.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

| | 2018 | |
|--|--|---------------------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| (Rupees in '000) | | |
| Balances with banks | 140,981 | 140,981 |
| Investments | 2,729,746 | - |
| Receivable against conversion of units | 2,789 | - |
| Profit accrued on balances with banks | 150 | 150 |
| | 2,873,666 | 141,131 |

16.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

| Bank | Rating | Amount of financial assets exposed to credit risk | % of financial assets exposed to credit risk |
|---------------------|--------|---|--|
| | | 2018 | 2018 |
| Meezan Bank Limited | AA | 140,982 | 100.00% |
| | | <u>140,982</u> | <u>100.00%</u> |

17. FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

| | 2018 | | |
|--------------------------------------|------------------|----------|----------|
| | Level 1 | Level 2 | Level 3 |
| | (Rupees in '000) | | |
| Financial assets | | | |
| At fair value through profit or loss | 2,729,746 | - | - |
| | <u>2,729,746</u> | <u>-</u> | <u>-</u> |



18. UNITHOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 16, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

19. UNIT HOLDING PATTERN OF THE FUND

| | MCPP IV | | | MCPP V | | |
|------------------|---------------------|---------------------------------------|--|---------------------|---------------------------------------|--|
| | 2018 | | | 2018 | | |
| | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment (Percentage) | Number of investors | Investment amount (Rupees in '000) | Percentage of total investment (Percentage) |
| Individual | 1,388 | 1,439,660 | 68.06 | 639 | 597,437 | 81.47 |
| Director | 1 | 4,969 | 0.23 | - | - | - |
| Retirement funds | 41 | 561,460 | 26.54 | 8 | 60,725 | 8.28 |
| Others | 15 | 109,281 | 5.17 | 9 | 75,206 | 10.25 |
| Total | 1,445 | 2,115,370 | 100.00 | 656 | 733,368 | 100.00 |

20. PERFORMANCE TABLE

| | June 30, 2018 | |
|--|-----------------------------|----------------------------|
| | MCPP-IV (Rupees in '000) | MCPP-V (Rupees in '000) |
| Net assets (Rs. '000) (ex-distribution) | 2,115,370 | 733,368 |
| Net assets value / redemption price per unit (ex-distribution) as at June 30 (Rs.) (ex-distribution) | 49.7996 | 50.0298 |
| Offer price per unit as at June 30 (Rs.) | - | 51.7258 |
| Highest offer price per unit (Rs.) | 52.1562 | 51.9502 |
| Lowest offer price per unit (Rs.) | 51.6950 | 51.4939 |
| Highest redemption price per unit (Rs.) | 50.4461 | 50.2468 |
| Lowest redemption price per unit (Rs.) | 49.4952 | 49.8055 |
| Total return (%) | -0.40% | 0.10% |

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate.

21. INVESTMENT COMMITTEE MEMBERS

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

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

The Fund Manager of this Fund is Mr. Asif Imtiaz. Other Funds being managed by the Fund Manager are:

- KSE - Meezan Index Fund
- Meezan Dedicated Equity Fund
- Meezan Strategic Allocation Fund - I
- Meezan Financial Planning Fund of Funds; and
- Meezan Balanced Fund

22. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

| Name | Designation | Meeting held on | | | | |
|--------------------------|-----------------|-----------------|------------------|------------------|----------------|--------------|
| | | August 24, 2017 | October 19, 2017 | February 8, 2018 | April 24, 2018 | May 31, 2018 |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Mohammad Shoaib | Chief Executive | Yes | Yes | Yes | Yes | Yes |
| Mr. Moin M. Fudda | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Atif Azim | Director | Yes | Yes | Yes | Yes | Yes |
| Syed Amir Ali Zaidi | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Abdullah Ahmed | Director | Yes | Yes | Yes | Yes | Yes |
| Mr. Ijaz Farooq | Director | Yes | Yes | No | Yes | No |
| Mr. Arshad Majeed * | Director | | | | No | Yes |
| Syed Amir Ali * | Director | Yes | Yes | Yes | Resigned | |
| Ms. Saima Kamila Khan ** | Director | | | Yes | Yes | Yes |
| Mr. P. Ahmed ** | Director | Yes | Yes | | | |
| Mazhar Sharif *** | Director | Yes | Yes | | | |
| Mr. Naeem Sattar *** | Director | | | Yes | Yes | Yes |

* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

**Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

***Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.





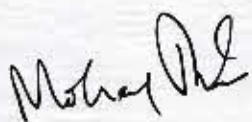
23. DATE OF AUTHORISATION FOR ISSUE

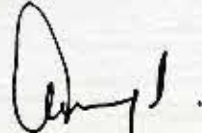
These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

24. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director



Meezan

Tahaffuz Pension Fund

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 MANAGEMENT COMPANY

| | |
|-----------------------------|-------------------------|
| Mr. Anful Islam | Chairman |
| Mr. Mohammad Shoaib, CFA | Chief Executive Officer |
| Mr. Muhammad Abdullah Ahmed | Nominee Director – MBL |
| Mr. Atif Azim | Independent Director |
| Mr. Ijaz Farooq | Nominee Director – MBL |
| Mr. Moin M. Fudda | Independent Director |
| Ms. Saima Kamila Khan | Independent Director |
| Mr. Arshad Majeed | Nominee Director – MBL |
| Mr. Naeem Abdul Sattar | Nominee Director – PKIC |
| Syed Amir Ali Zaidi | Nominee Director – PKIC |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|------------------------|----------|
| Mr. Moin M. Fudda | Chairman |
| Mr. Arshad Majeed | Member |
| Mr. Naeem Abdul Sattar | Member |

RISK MANAGEMENT COMMITTEE

| | |
|-----------------------------|----------|
| Mr. Muhammad Abdullah Ahmed | Chairman |
| Syed Amir Ali Zaidi | Member |
| Mr. Naeem Abdul Sattar | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Atif Azim | Chairman |
| Mr. Anful Islam | Member |
| Mr. Naeem Abdul Sattar | Member |
| Mr. Mohammad Shoaib, CFA | Member |

TRUSTEE

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

AUDITORS

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)
Allied Bank Limited
Askari Bank Limited - Islamic Banking
Bank Alfalah - Islamic Banking Branch
Bank Al Habib Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited - Islamic Banking

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, 2018

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 negative return of 16.46%, debt sub-fund provided a return of 2.76%, and money market sub-fund returned 2.87% while the Gold Sub-fund provided a return of 12.12%.

Equity Sub Fund

Equity sub fund posted a total loss of Rs. 890 million in FY18 as compared to a total income of Rs. 1,023 million last year. Total loss comprised of realized and unrealized losses on investments of Rs. 397 million and Rs. 759 million respectively. Dividend income contributed Rs. 260 million, while profit on saving accounts with banks amounted to Rs. 6 million. After accounting for expenses of Rs. 110 million and an element of loss and capital loss included in prices of units issued and less those in units redeemed of Rs. 70 million, the Fund posted a net loss of Rs. 1,070 million. The net assets of the Fund as at June 30, 2018 were Rs. 5,432 million as compared to Rs. 5,806 million at the end of last year. The net asset value per unit as at June 30, 2018 was Rs. 494.82 as compared to Rs. 592.32 per unit as on June 30, 2017.

Debt Sub Fund

The Fund earned a gross income of Rs. 113 million, as compared to a gross income of Rs. 154 million last year. Total income was primarily due to profit on Sukuks certificates worth Rs. 74 million. Profit on saving accounts at Islamic banks including profit on term deposit receipts contributed Rs. 68 million. On the other side, the fund incurred realised and unrealized loss worth Rs. 17 million and 12 million respectively. The fund also incurred expenses totalling to Rs. 46 million and element of gain and capital gains included in prices of units issued and less those in units redeemed of Rs. 8 million, which brought the net income figure to Rs. 74 million. The net assets of the Fund as at June 30, 2018 were Rs. 2,762 million as compared to Rs. 2,511 million at the end of last year depicting a growth of almost 10% during the year. The net asset value per unit as at June 30, 2018 was Rs. 220.52 as compared to Rs. 214.59 per unit as on June 30, 2017.



Money Market Sub Fund

The Fund earned a gross income of Rs. 36 million, as compared to a gross income of Rs. 34 million last year. Total income was primarily due to profit on Sukuks certificates amounting to Rs. 13 million. Profit on saving accounts at Islamic banks including profit on term deposit receipt totalled Rs. 29 million. On the other side, the fund incurred realized and unrealized loss worth Rs. 3 million and 2 million respectively. The fund also incurred expenses totalling Rs. 14 million and element of gain and capital gains included in price of units issued and less those in units redeemed was Rs. 7 million, which brought the net income figure to Rs. 28 million. The net assets of the Fund as at June 30, 2018 were Rs. 1,014 million as compared to Rs. 663 million at the end of last year depicting a growth of 52.94%. The net asset value per unit as at June 30, 2018 was Rs. 218.28 as compared to Rs. 212.18 per unit as on June 30, 2017.

Gold Sub Fund

The Fund posted a gross income of Rs. 7 million in FY 2018, as compared to a gross loss of Rs. 3 million from the period from August 04, 2016 to June 30, 2017 last year. Total income was mainly due to unrealized gain on investment of Rs. 6 million. The fund also incurred expenses totalling to Rs. 1.45 million and element of gain and capital gains included in prices of units issued and less those in units redeemed of Rs. 0.26 million, which brought the net income figure to Rs. 5.4 million. The net assets of the Fund as at June 30, 2018 were Rs. 50 million. The net asset value per unit as at June 30, 2018 was Rs. 101.57.

Charity Statement

The Equity Sub Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2018 an amount of Rs. 3.72 million was accrued as charity payable.



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor – Meezan Tahaffuz Pension Fund

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

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 MIPF in light of *Shari'ah* requirements. Following is the list of top equity holdings of MIPF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 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) |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| Engro Corporation Ltd | Fertilizer | 29.53% | 21.57% | 3.03% | 65% | (75.29) | |
| Pakistan Petroleum Ltd. | Oil & Gas Exploration Companies | 0.06% | 20.86% | 3.79% | 43% | 39.29 | 205.91 |
| Lucky Cement | Cement | 10.50% | 0.00% | 3.23% | 68% | (231.74) | |
| Pakistan Oil Fields | Oil & Gas Exploration Companies | 0.00% | 0.01% | 2.00% | 72% | (40.74) | |



| | (i) | (ii)** | (iii) | (iv) | (v) | (vi) | |
|--------------------|---------------------------------------|--------|--------|-------|-----|----------|--|
| Engro Fertilizer | Fertilizer | 29.63% | 7.32% | 0.12% | 77% | (32.84) | |
| Mari Petroleum Ltd | Oil & Gas Exploration Companies | 6.30% | 13.35% | 0.63% | 43% | (440.91) | |

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

** All interest based debts.

- ii. On the basis of information provided by the management, all operations of MIPF for the year ended June 30, 2018 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 MIPF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

May Allah bless us with best 'Iawfeeq 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
Shari'ah Advisor





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 Al 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, 2018 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 25, 2018



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

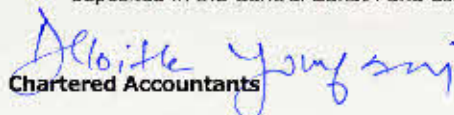
of **Meezan Tahaffuz Pension Fund** ("the Fund") as at June 30, 2018 together with the notes forming part thereof, for the year then ended.

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 by Securities Exchange Commission of Pakistan under the Companies Act, 2017 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 Act, 2017. 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, 2018 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, 2018 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.


Chartered Accountants

Engagement Partner

Naresh Kumar

Date: September 24, 2018

Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited





BALANCE SHEET AS AT JUNE 30, 2018

| Note | 2018 | | | | 2017 | | |
|--|-----------------|------------------|-----------------------|------------------|-----------------|------------------|------------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total | |
| (Rupees in '000) | | | | | | | |
| ASSETS | | | | | | | |
| Bank balances | 4 | 221,802 | 667,134 | 554,598 | 7,351 | 1,450,885 | 1,484,202 |
| Investments | 5 | 5,265,792 | 2,087,670 | 457,653 | 42,900 | 7,854,015 | 7,552,165 |
| Dividend receivable | | 15,610 | - | - | - | 15,610 | 24,606 |
| Deposits and other receivables | 6 | 10,535 | 28,790 | 7,516 | 12 | 46,853 | 62,855 |
| Receivable against change of plan / change of fund manager / issuance of units | | - | 317 | 84 | - | 401 | 91,130 |
| Total assets | | 5,513,739 | 2,783,911 | 1,019,851 | 50,263 | 9,367,764 | 9,214,958 |
| LIABILITIES | | | | | | | |
| Payable to AI Meezan Investment Management Limited - Pension Fund Manager | 7 | 7,669 | 3,708 | 1,340 | 68 | 12,785 | 12,671 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 8 | 435 | 210 | 76 | 4 | 725 | 720 |
| Payable to auditors | | 57 | 57 | 57 | 69 | 240 | 224 |
| Payable to Securities and Exchange Commission of Pakistan | 9 | 1,831 | 813 | 249 | 15 | 2,908 | 2,675 |
| Payable against purchase of investments - net | | 6,499 | - | - | - | 6,499 | 23 |
| Payable against withdrawal / change of plan | | 5,682 | 1,957 | 421 | - | 8,060 | 97,934 |
| Accrued expenses and other liabilities | 10 | 59,716 | 15,561 | 4,110 | 147 | 79,534 | 77,459 |
| Total liabilities | | 81,889 | 22,306 | 6,253 | 303 | 110,751 | 191,706 |
| NET ASSETS | | 5,431,850 | 2,761,605 | 1,013,598 | 49,960 | 9,257,013 | 9,023,252 |
| Contingencies and commitments | 12 | | | | | | |
| PARTICIPANTS' SUB - FUNDS (as per statement attached) | | 5,431,850 | 2,761,605 | 1,013,598 | 49,960 | 9,257,013 | 9,023,252 |
| (Number of units) | | | | | | | |
| Number of units in issue (as per statement attached) | | 10,977,414 | 12,523,118 | 4,643,622 | 491,873 | | |
| ----- (Rupees) ----- | | | | | | | |
| Net assets value per unit | | 494.8205 | 220.5205 | 218.2775 | 101.5719 | | |

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

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

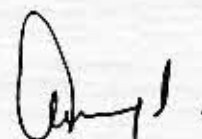
| Note | For the year ended June 30, 2018 | | | | For the year ended June 30, 2017* | |
|---|----------------------------------|--------------------|-----------------------|---------------|-----------------------------------|------------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| (Rupees in '000) | | | | | | |
| INCOME | | | | | | |
| | - | 73,901 | 12,503 | - | 86,404 | 86,300 |
| Profit from sukuk certificates | 6,088 | 17,532 | 15,469 | 133 | 39,222 | 40,159 |
| Profit on saving accounts with banks | - | 50,442 | 13,472 | - | 63,914 | 42,269 |
| Profit on term deposit receipts | 260,126 | - | - | - | 260,126 | 189,475 |
| Dividend income | | | | | | |
| Unrealised (diminution) / appreciation on re measurement of investments at fair value through profit or loss - net | 5.1,5.2 | (759,404) | (11,557) | (2,363) | (773,324) | 519,159 |
| Unrealised appreciation / (diminution) on investment in gold | 5.5 | - | - | 6,347 | 6,347 | (3,112) |
| Net realised (loss) / gain on sale of investments | | (397,392) | (17,356) | (2,953) | (417,622) | 262,875 |
| Reversal of provision of Workers' Welfare Fund | | - | - | - | - | 70,251 |
| Price adjustment charges | 11 | - | - | 42 | 42 | - |
| Total (loss) / income | | (890,582) | 112,962 | 36,128 | (734,891) | 1,207,376 |
| EXPENSES | | | | | | |
| Remuneration of Al Meezan Investment Management Limited - Pension Fund Manager | 7 | 82,366 | 36,578 | 11,204 | 684 | 130,832 |
| Sindh Sales Tax on remuneration of the Pension Fund Manager | 7.2 | 10,708 | 4,755 | 1,457 | 89 | 17,009 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 8 | 4,743 | 2,107 | 645 | 39 | 7,534 |
| Sindh Sales Tax on remuneration of the Trustee | 8.2 | 617 | 274 | 84 | 5 | 980 |
| Annual fee to Securities and Exchange Commission of Pakistan | 9 | 1,831 | 813 | 249 | 15 | 2,908 |
| Auditors' remuneration | 14 | 103 | 103 | 103 | 103 | 412 |
| Legal and professional charges | | 12 | 26 | 26 | 12 | 76 |
| Brokerage charges | | 5,005 | 85 | 3 | 397 | 5,490 |
| Bank and settlement charges | | 448 | 147 | 144 | 2 | 741 |
| Charity expense | | 3,725 | - | - | - | 3,725 |
| Provision for Workers' Welfare Fund | | - | - | - | - | 26,808 |
| Provision for Sindh Workers' Welfare Fund | 13 | - | 1,516 | 578 | 110 | 2,204 |
| Total expenses | | 109,558 | 46,404 | 14,493 | 1,456 | 171,911 |
| Net (loss) / income from operating activities | | (1,000,140) | 66,558 | 21,635 | 5,145 | (906,802) |
| Element of (loss) / gain and capital (losses) / gains included in prices of units issued less those in units redeemed - net | | (70,161) | 7,720 | 6,681 | 258 | (55,502) |
| Net (loss) / income for the year before taxation | | (1,070,301) | 74,278 | 28,316 | 5,403 | (962,304) |
| Taxation | 21 | | | | | |
| Net (loss) / income for the year after taxation | | (1,070,301) | 74,278 | 28,316 | 5,403 | (962,304) |
| Other comprehensive income for the year | | | | | | |
| Items that can be reclassified to income statement in subsequent periods | | | | | | |
| Unrealised diminution on re measurement of investment classified as "available for sale" - net | | - | - | - | - | - |
| Total comprehensive income for the year | | (1,070,301) | 74,278 | 28,316 | 5,403 | (962,304) |

* It includes figures of Gold sub fund for the period from August 4, 2016 to June 30, 2017
The annexed notes from 1 to 22 form an integral part of these financial statements.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**





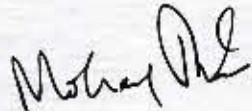
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

| Note | For the year ended June 30, 2018 | | | | For the year ended June 30, 2017* | |
|--|----------------------------------|---------------|-----------------------|---------------|-----------------------------------|-------------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| | (Rupees in '000) | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | |
| Net (loss) / income for the year before taxation | (1,070,301) | 74,278 | 28,316 | 5,403 | (962,304) | 1,125,625 |
| Adjustments: | | | | | | |
| Unrealised diminution / (appreciation) on 're measurement of investments at 'fair value through profit or loss' net | 5.1, 5.2 & 5.3 | 759,404 | 11,557 | 2,363 | - | 773,324 (519,159) |
| Unrealised (appreciation) / diminution on investment in gold Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net | 5.5 | - | - | - | (6,347) | (6,347) 3,112 |
| | 70,161 | (7,720) | (6,681) | (258) | 55,502 | (145,990) |
| | (240,736) | 78,115 | 23,998 | (1,202) | (139,825) | 463,588 |
| (Increase) / decrease in assets | | | | | | |
| Investments - net | (596,793) | (295,508) | (177,392) | 866 | (1,068,827) | (1,138,971) |
| Dividend receivable | 8,996 | - | - | - | 8,996 | (12,528) |
| Deposits and other receivables | 2,647 | 15,279 | (1,924) | - | 16,002 | (29,250) |
| | (585,150) | (280,229) | (179,316) | 866 | (1,043,829) | (1,180,749) |
| (Decrease) / increase in liabilities | | | | | | |
| Payable to AI Meezan Investment Management Limited - Pension fund Manager | (544) | 210 | 441 | 7 | 114 | (25,042) |
| Payable to Central Depository Company of Pakistan Limited Trustee | (32) | 11 | 25 | 1 | 5 | 149 |
| Payable to Securities and Exchange Commission of Pakistan | 94 | 65 | 72 | 2 | 233 | 943 |
| Payable to auditors | 4 | 4 | 4 | 4 | 16 | 11 |
| Payable against purchase of investments - net | 6,476 | - | - | - | 6,476 | (12,701) |
| Accrued expenses and other liabilities | (158) | 1,550 | 577 | 106 | 2,075 | 31,939 |
| | 5,840 | 1,840 | 1,119 | 120 | 8,919 | (4,701) |
| Net cash used in operating activities | (820,046) | (200,274) | (154,199) | (216) | (1,174,735) | (721,862) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | | |
| Receipts of contribution / change of plan / change of fund manager / issuance of units | 1,815,179 | 1,259,460 | 1,180,482 | 5,013 | 4,260,134 | 3,557,665 |
| Payments on withdrawal / change of plan | (1,128,685) | (1,136,242) | (850,348) | (3,441) | (3,118,716) | (1,895,128) |
| Net cash generated from financing activities | 686,494 | 123,218 | 330,134 | 1,572 | 1,141,418 | 1,662,537 |
| Net (decrease) / increase in cash and cash equivalents during the year | (133,552) | (77,056) | 175,935 | 1,356 | (33,317) | 940,675 |
| Cash and cash equivalents at beginning of the year. | 355,354 | 744,190 | 378,663 | 5,995 | 1,484,202 | 543,527 |
| Cash and cash equivalents at end of the year | 4 | 221,802 | 667,134 | 554,598 | 7,351 | 1,450,885 |

* It includes figures of Gold sub fund for the period from August 4, 2016 to June 30, 2017

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

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


Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

| | For the year ended June 30, 2018 | | | | Total | For the year ended June 30, 2017* |
|---|----------------------------------|--------------------|-----------------------|----------------|--------------------|-----------------------------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | | Total |
| | (Rupees in '000) | | | | | |
| Net assets at beginning of the year | 5,806,229 | 2,510,961 | 662,819 | 43,243 | 9,023,252 | 6,550,023 |
| Amount received on issuance of units (2018: Equity sub fund: 3,308,614 units Debt sub fund: 5,770,393 units; Money market sub fund: 5,441,073 units; Gold sub fund: 50,814 units) (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) | 1,739,581 | 1,254,161 | 1,170,650 | 5,013 | 4,169,405 | 3,467,348 |
| Amount paid on withdrawal of units (2018: Equity sub fund: 2,133,705 units Debt sub fund: 4,948,524 units; Money market sub fund: 3,921,311 units; Gold sub fund: 36,299 units) (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) | (1,113,820) | (1,070,075) | (841,506) | (3,441) | (3,028,842) | (1,973,754) |
| | 625,761 | 184,086 | 329,144 | 1,572 | 1,140,563 | 1,493,594 |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net | 70,161 | (7,720) | (6,681) | (258) | 55,502 | (145,990) |
| Net realised (loss) / gain on sale of investments | (397,392) | (17,356) | (2,953) | 79 | (417,622) | 262,875 |
| Unrealised (diminution) / appreciation on 're-measurement of investments at 'fair value through profit or loss' net | (759,404) | (11,557) | (2,363) | - | (773,324) | 519,159 |
| Unrealised appreciation / (diminution) on investment in gold | - | - | - | 6,347 | 6,347 | 3,112 |
| Other net income for the year | 86,495 | 103,191 | 33,632 | (1,023) | 222,295 | 340,479 |
| | (1,070,301) | 74,278 | 28,316 | 5,403 | (962,304) | 1,125,625 |
| Net assets at end of the year | 5,431,850 | 2,761,605 | 1,013,598 | 49,960 | 9,257,013 | 9,023,252 |

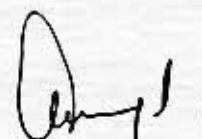
* It includes figures of Gold sub fund for the period from August 4, 2016 to June 30, 2017

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

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**





CONTRIBUTION TABLE FOR THE YEAR ENDED JUNE 30, 2018

| For the year ended June 30, 2018 | | | | | | | Total (Rupees in '000) | For the year ended June 30, 2017* |
|----------------------------------|---------------------|---------------|---------------------|-----------------------|---------------------|---------------|------------------------------|---|
| Equity sub fund | | Debt sub fund | | Money Market sub fund | | Gold sub fund | | |
| Units | (Rupees in '000) | Units | (Rupees in '000) | Units | (Rupees in '000) | Units | (Rupees in '000) | Total (Rupees in '000) |

**Contribution net of front
end fee for the year**

Individuals

issuance of units

| | | | | | | | | | |
|------------------|------------------|------------------|------------------|------------------|------------------|---------------|--------------|------------------|------------------|
| <u>3,308,614</u> | <u>1,739,581</u> | <u>5,770,393</u> | <u>1,254,161</u> | <u>5,441,073</u> | <u>1,170,650</u> | <u>50,814</u> | <u>5,013</u> | <u>4,169,405</u> | <u>3,467,348</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|---------------|--------------|------------------|------------------|

* It includes figures of Gold sub fund for the period from August 4, 2016 to June 30, 2017

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

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

**Mohammad Shoaib, CFA
Chief Executive**

**Syed Amir Ali Zaidi
Director**

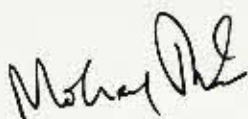
NUMBER OF UNITS IN ISSUE FOR THE YEAR ENDED JUNE 30, 2018

| | For the year ended June 30, 2018 | | | |
|--|----------------------------------|-------------------|-----------------------|----------------|
| | 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 | 9,802,505 | 11,701,249 | 3,123,860 | 477,358 |
| Add: Units issued / converted / reallocated during the year | 3,308,614 | 5,770,393 | 5,441,073 | 50,814 |
| Less: Units redeemed / converted / reallocated during the year | (2,133,705) | (4,948,524) | (3,921,311) | (36,299) |
| Total units in issue at the end of the year | <u>10,977,414</u> | <u>12,523,118</u> | <u>4,643,622</u> | <u>491,873</u> |

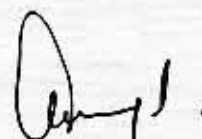
| | For the year ended June 30, 2017 | | | For the period from August 04, 2016 to June 30, 2017 |
|--|----------------------------------|-------------------|-----------------------|--|
| | Equity sub fund | Debt sub fund | Money Market sub fund | |
| | (Number of units) | | | |
| Total units in issue 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> |

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

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali Zaidi
Director**





NOTES TO AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 and 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 net assets in listed equity securities based on quarterly average investment calculated on daily basis. Investment in 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. Shariah Compliant 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 (MBL) 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 accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprises of:

- International Financial Reporting Standard (IFRS Standard) issued by the International Accounting Standard Board (IASB) as notified under Companies Act, 2017; and
- The VPS rules and directive issued by the Securities Exchange Commission of Pakistan (SECP).

Where the requirement of the VPS Rules or the said directives differ with requirement of IFRS, the requirement of the VPS Rules and the said 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 and 5);
- b) Impairment of financial instruments (note 3.1.7 and 5.3.2.7);
- 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, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Fund's operations or



are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after

| | |
|--|------------------|
| Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative | January 01, 2017 |
| Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses | January 01, 2017 |

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 Fund's operations or are not expected to have significant impact on the Fund's financial statements except for 'IFRS 9: Financial Instruments' and certain other additional disclosures requirements. Impact assessment of IFRS 9 has been summarised in note 2.5.3.

Effective from accounting period beginning on or after

| | |
|---|--|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018. |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | July 01, 2018 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 01, 2018 |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date. Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses | January 01, 2019 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2018. Earlier application is permitted. |

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.

January 01, 2018. Earlier application is permitted.

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'.

January 01, 2019

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

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 14 – Regulatory Deferral Accounts
- IFRS 17 - Insurance Contracts

2.5.3 Impact assessment of IFRS 9

IFRS 9 is effective for the period beginning on or after July 1, 2018. The standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Securities and Commission of Pakistan has notified through its letter dated November 21, 2017 that the requirements related to provision of impairment under IFRS 9 on mutual funds has been deferred till further instruction. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012. The Fund has reviewed its financial assets and financial liabilities and is expecting the following from the adoption of the new standard from July 1, 2018.

Based on the assessment, the Fund believe that the new classification requirements will have no any impact on its accounting for investments, deposit and other receivables. At June 30, 2018, the Fund's investments are classified as held-for-trading or designated at fair value through profit or loss upon initial recognition which will satisfy the conditions for classification as at fair value through profit and loss account (FVTPL) and hence there will be no change to the accounting for these assets.

Further, there will be no impact on the fund's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the fund does not have any such liabilities

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 | 2018 | | | | | 2017 |
|------------------|-----------------|---------------|-----------------------|---------------|-----------|-----------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| (Rupees in '000) | | | | | | |
| 4.1 | 1,477 | - | - | - | 1,477 | 818 |
| | 220,325 | 667,134 | 554,598 | 7,351 | 1,449,408 | 1,483,384 |
| | 221,802 | 667,134 | 554,598 | 7,351 | 1,450,885 | 1,484,202 |

4. BANK BALANCES

- 4.1 The balance in savings accounts carry expected profit which ranges from 2.00% to 6.60% (June 30, 2017: 2.00% to 6.10%) per annum.

| Note | 2018 | | | | | 2017 |
|---|-----------------|---------------|-----------------------|---------------|-----------|-----------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total |
| (Rupees in '000) | | | | | | |
| 5.1 | 5,265,792 | - | - | - | 5,265,792 | 5,428,403 |
| 5.2 | - | 655,442 | 104,653 | - | 760,095 | 1,629,823 |
| | 5,265,792 | 655,442 | 104,653 | - | 6,025,887 | 7,058,226 |
| Investments designated at 'fair value through profit or loss upon initial recognition' | | | | | | |
| 5.3 | - | 193,228 | - | - | 193,228 | 26,520 |
| Loans and receivables | | | | | | |
| 5.4 | - | - | - | - | - | - |
| | - | 1,239,000 | 353,000 | - | 1,592,000 | 430,000 |
| Investment in gold | | | | | | |
| 5.5 | - | - | - | 42,900 | 42,900 | 37,419 |
| | 5,265,792 | 2,087,670 | 457,653 | 42,900 | 7,854,015 | 7,552,165 |

5.1 'Held for trading' - shares of listed companies

| Name of the investee company | As at July 01, 2017 | Purchases during the year | Cost of purchase during the year | Bonus / rights issue during the year | Sales during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised (loss) / gain as at June 30, 2018 | 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) | (Rupees in '000) | | % | % |
| Equity Sub Fund | | | | | | | | | | | |
| Sector / companies | | | | | | | | | | | |
| Automobile Assembler | | | | | | | | | | | |
| Indus Motor Company Limited | 15,605 | | | | 15,605 | | | | | | |
| Pak Suzuki Motor Company Limited | | 92,600 | 49,928 | | | 92,600 | 49,928 | 36,427 | (13,501) | 0.67 | 0.10 |
| Honda At as Cars Pakistan Limited | 273,500 | | | | | 273,500 | 237,313 | 86,533 | (186,780) | 1.59 | 0.19 |
| Mil at Tractors Limited | | 25,000 | 33,749 | | | 25,000 | 33,749 | 29,702 | (4,047) | 0.55 | 0.06 |
| Ghandham Industries Limited | | 110,100 | 39,186 | | 25,430 | 84,650 | 56,341 | 59,821 | 3,480 | 1.10 | 0.40 |
| | | | | | | | | | | 3.91 | 0.75 |
| Automobile parts and Accessories | | | | | | | | | | | |
| General Tyre & Rubber Company | | 222,700 | 45,039 | | 160,200 | 62,500 | 17,672 | 10,388 | (2,284) | 0.19 | 0.10 |
| Ghandham Nissan Limited | | 323,716 | 72,646 | | 52,400 | 271,316 | 99,555 | 48,747 | (10,808) | 0.90 | 0.60 |
| | | | | | | | | | | 1.09 | 0.70 |
| Cable & Electrical Goods | | | | | | | | | | | |
| Pak Elektron Limited | 1,329,000 | 745,000 | 45,453 | | 2,074,000 | | | | | | |

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

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

5.1.3 145,000 shares (2017:145,000 shares) of Engro Corporation Limited having market value of Rs. 45.51 million as at June 30, 2018 (2017 : 47.26 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, 2017 | Purchases during the year | Cost of purchase during the year | Sales during the year | Maturity during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised loss as at June 30, 2018 | 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 | Number of certificates | Number of certificates | (Rupees in '000) | (%) | | | |

Debt Sub Fund

| | | | | | | | | | | | | |
|------------------------------------|-------------------|--------------------------------|-------|-----|--------------|-------|---|-------|----------------|----------------|-----------------|-------|
| GoP - Ijarah sukuk XV (note 5.2.1) | December 18, 2018 | Expected profit rate is 6.33 % | 3,760 | - | - | 1,880 | - | 1,900 | 193,780 | 190,722 | (3,058) | 6.91 |
| GoP - Ijarah sukuk XV (note 5.2.1) | February 15, 2019 | Expected profit rate is 6.1 % | 6,620 | - | - | 4,970 | - | 1,650 | 169,835 | 165,710 | (4,125) | 6.00 |
| GoP - Ijarah sukuk XV (note 5.2.1) | March 29, 2019 | Expected profit rate is 5.59 % | 2,750 | 500 | 4,985 | 250 | - | 3,000 | 304,655 | 299,010 | (5,645) | 10.83 |
| Total | | | | | 4,985 | | | | 668,270 | 655,442 | (12,828) | |

Money Market Sub Fund

| | | | | | | | | | | | | |
|------------------------------------|-------------------|--------------------------------|-------|---|---|-------|---|-------|----------------|----------------|----------------|-------|
| GoP - Ijarah sukuk XV (note 5.2.1) | December 18, 2018 | Expected profit rate is 6.33 % | 1,040 | - | - | 1,040 | - | - | - | - | - | - |
| GoP - Ijarah sukuk XV (note 5.2.1) | February 15, 2019 | Expected profit rate is 6.1 % | 230 | - | - | 230 | - | - | - | - | - | - |
| GoP - Ijarah sukuk XV (note 5.2.1) | March 29, 2019 | Expected profit rate is 5.59 % | 1,500 | - | - | 450 | - | 1,050 | 107,016 | 104,653 | (2,363) | 10.32 |
| Total | | | | | | | | | 107,016 | 104,653 | (2,363) | |

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 Investee company | Maturity date | Profit rate per annum | As at July 01, 2017 | Purchases during the year | Cost of purchase | Sales during the year | Redemptions / matured during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised (loss) / gain as at June 30, 2018 | 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 | Number of certificates | Number of certificates | (Rupees in '000) | (%) | | | |

Debt Sub Fund

| | | | | | | | | | | | | |
|--|--------------------|--|-------|----|--------|---|-------|-------|--------|--------|-------|------|
| Eden Housing Limited (note 5.3.2.5) | September 29, 2014 | 3 months Kibor plus base rate of 2.5% | 500 | - | - | - | - | 500 | - | - | - | - |
| Security Leasing Corporation Limited II (note 5.3.2.3) | January 19, 2022 | | 154 | - | - | - | - | 154 | - | - | - | - |
| Fatima Fertilizer Company Limited (note 5.3.2.2) | November 28, 2021 | 6 months Kibor plus base rate of 1.10% | 5,640 | - | - | - | 1,692 | 3,948 | 20,627 | 20,056 | (571) | 0.73 |
| Dubai Islamic Bank Pakistan Limited (note 5.3.2.3) | July 14, 2027 | 6 months Kibor plus base rate of 0.5% | - | 62 | 62,000 | 5 | - | 57 | 57,000 | 58,066 | 1,066 | 2.10 |

| Name of the investee company | Maturity date | Profit rate per annum | As at July 01, 2017 | Purchases during the year | Cost of purchase | Sales during the year | Redemptions / matured during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised (loss) / gain as at June 30, 2018 | 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) | (Rupees in '000) | (%) | | | | |
| International Brand Limited (note 5.3.2.4) | November 15, 2021 | 12 months Kibor plus base rate of 0.5% | 550 | 55,000 | | | 550 | 55,000 | 55,000 | 55,000 | | 1.99 |
| K electric Limited (note 5.3.2.2) | June 2 17, 2022 | 3 months Kibor plus base rate of 1.00% | | 1,600.00 | 8,080 | | | 1,600 | 8,080 | 8,109 | 29 | 0.29 |
| Neelum Jhelum Power Company Sukuk (note 5.3.2.4) | July 1, 2026 | 6 months Kibor plus base rate of 1.13% | - | 500.00 | 5,125 | - | - | - | 51,250 | 51,997 | 747 | 1.88 |
| Total | | | | | 130,205 | | | | 191,957 | 193,228 | 1,271 | |
| Money Market Sub Fund | | | | | | | | | | | | |
| Security Leasing Corporation Limited I (note 5.3.2.5) | 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 these sukuk certificate is Rs. 5000 each, unredeemed value of this certificate as at June 30, 2018 is Rs. 5,000 each.

5.3.2.3 The nominal value of this sukuk certificate is Rs. 1,000,000 each, unredeemed value of this certificate as at June 30, 2018 is Rs. 1,000,000 each.

5.3.2.4 The nominal value of these sukuk certificate is Rs. 100,000 each, unredeemed value of this certificate as at June 30, 2018 is Rs. 100,000 each.

5.3.2.5 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, 2018.

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, 2018.





5.3.2.6 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 | - |

5.3.2.7 Provision / (reversal) on sukuk certificates

| | 2018 | 2017 |
|-------------------------------------|------------------|--------------|
| | (Rupees in '000) | |
| Debt Sub Fund | | |
| Opening | 1,263 | 1,263 |
| Reversal against Sukuk certificates | - | - |
| Closing | 1,263 | 1,263 |
| Money Market Sub Fund | | |
| Opening | 771 | 771 |
| Reversal against Sukuk certificates | - | - |
| Closing | 771 | 771 |

5.4 Loans and receivables

| | 2018 | 2017 |
|------------------------------|------------------------|---------|
| | (Rupees in '000) | |
| Debt Sub Fund | | |
| Term deposits | 5.4.1 1,239,000 | 430,000 |
| Money Market Sub Fund | | |
| Term deposits | 5.4.1 353,000 | - |

5.4.1 Term Deposits

| 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, 2017 | TDR's placed during the year | Matured during the year | As at June 30, 2018 | | |
| (Rupees in '000) | | | | | | | | |
| Debt Sub Fund | | | | | | | | |
| Dubai Islamic Bank Pakistan Limited | September 05, 2017 | 6.10% | 330,000 | - | 330,000 | - | AA- | - |
| Dubai Islamic Bank Pakistan Limited | March 06, 2018 | 5.80% | - | 330,000 | 330,000 | - | AA- | - |
| Dubai Islamic Bank Pakistan Limited | February 01, 2018 | 5.70% | 100,000 | - | 100,000 | - | AA- | - |
| Bank Al Habib Limited | November 01, 2017 | 5.80% | - | 400,000 | 400,000 | - | AA+ | - |
| Bank Al Habib Limited | February 01, 2018 | 5.85% | - | 300,000 | 300,000 | - | AA+ | - |
| Habib Bank Limited | January 28, 2018 | 6.20% | - | 100,000 | 100,000 | - | AAA | - |
| Dubai Islamic Bank Pakistan Limited | April 6, 2018 | 6.25% | - | 400,000 | 400,000 | - | AA- | - |
| Bank Al Habib Limited | April 30, 2018 | 5.90% | - | 469,000 | 469,000 | - | AA+ | - |
| Dubai Islamic Bank Pakistan Limited | July 5, 2018 | 6.15% | - | 400,000 | - | 400,000 | AA- | 14.48 |
| Bank Al Habib Limited | July 30, 2018 | 6.05% | - | 469,000 | - | 469,000 | AA+ | 16.98 |
| Orix Modarba | May 22, 2019 | 6.40% | - | 180,000 | - | 180,000 | AA+ | 6.52 |
| Faysal Bank Limited | August 9, 2018 | 6.13% | - | 190,000 | - | 190,000 | AA | 6.88 |
| Total | | | | | 1,239,000 | | | |

| 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, 2017 | TDR's placed during the year | Matured during the year | As at June 30, 2018 | | |
| ----- (Rupees in '000) ----- | | | | | | | | |
| Money Market Sub Fund | | | | | | | | |
| Bank Al-Habib Limited | November 01, 2017 | 5.80% | - | 130,000 | 130,000 | - | AA+ | - |
| Bank Al-Habib Limited | February 01, 2018 | 5.85% | - | 133,000 | 133,000 | - | AA+ | - |
| Habib Bank Limited | May 07, 2018 | 5.90% | - | 133,000 | 133,000 | - | AAA | - |
| Habib Bank Limited | January 28, 2018 | 6.20% | - | 17,000 | 17,000 | - | AAA | - |
| Bank Al-Habib Limited | April 30, 2018 | 5.90% | - | 153,000 | 153,000 | - | AA+ | - |
| Bank Al-Habib Limited | July 30, 2018 | 6.05% | - | 153,000 | - | 153,000 | AA+ | 5.54 |
| Orlx Modarba | November 22, 2018 | 6.40% | - | 40,000 | - | 40,000 | AA+ | 1.45 |
| Faysal Bank Limited | August 9, 2018 | 6.13% | - | 160,000 | - | 160,000 | AA | 5.79 |
| 353,000 | | | | | | | | |

5.4.2 Commercial paper

| Name of security | Maturity date | Profit rate per annum | As at July 01, 2017 | Placed during the year | Cost of purchase (Rs. in '000) | Matured during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised (loss) / gain as at June 30, 2018 | Percentage of net assets value on the basis of market value (see note 5.1.2) |
|--------------------------|---------------|---|---------------------|------------------------|--------------------------------|-------------------------|---------------------|------------------------------------|----------------------------------|--|--|
| | | | Face Value | | | Face Value | | | | | (%) |
| Haseco Petroleum Limited | June 29, 2018 | 6 months Kibor plus base rate of 1.25 % | 23,140 | 23,140 | 23,140 | | | | | | |

5.5 Investment in gold

| Commodity | As at July 01, 2017 | Purchases during the year | Sales during the year | As at June 30, 2018 | Carrying value as at June 30, 2018 | Market value as at June 30, 2018 | Unrealised gain as at June 30, 2018 | Net Assets of the Fund on the basis of investments (note 5.1.2) |
|--------------|---------------------|---------------------------|-----------------------|---------------------|------------------------------------|----------------------------------|-------------------------------------|---|
| | (Quantity in Tola) | | | (Rupees in '000) | | | (%) | |
| Tola Gold | 734 | | 17 | 717 | 36,553 | 42,900 | 6,347 | 85.87 |
| Total | | | | | 36,553 | 42,900 | 6,347 | |

5.5.1 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.

5.5.2 The investment in gold of Rs.42.9 million has been measured at fair value based on the quoted market price in active markets.

6. DEPOSITS AND OTHER RECEIVABLES

| | 2018 | | | | | 2017 |
|---|-----------------|---------------|-----------------------|---------------|---------------|---------------|
| | 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 | 2,688 | 15,829 | 5,907 | 12 | 24,436 | 32,503 |
| Profit receivable on sukuks certificates | - | 12,861 | 1,509 | - | 14,370 | 22,805 |
| Advance tax | 4,747 | - | - | - | 4,747 | 4,747 |
| Advance against investments | 500 | - | - | - | 500 | - |
| | 10,535 | 28,790 | 7,516 | 12 | 46,853 | 62,855 |





**7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan)
- PENSION FUND MANAGER**

| Note | Equity sub fund | Debt sub fund | 2018 | | | 2017 | |
|---|-----------------|---------------|-----------------------|---------------|-----------|---------------|--------|
| | | | Money Market sub fund | Gold sub fund | Total | Total | |
| (Rupees in '000) | | | | | | | |
| Management remuneration | 7.1 | 6,787 | 3,281 | 1,186 | 60 | 11,314 | 11,214 |
| Sindh Sales Tax and Federal Excise Duty on management fee | 7.2 | 882 | 427 | 154 | 8 | 1,471 | 1,457 |
| | | 7,669 | 3,708 | 1,340 | 68 | 12,785 | 12,671 |

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 (2017: 13 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, 2018 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 | 2018 | | | | 2017 | | |
|--|-----------------|---------------|-----------------------|---------------|------------|---------------|---------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total | |
| (Rupees in '000) | | | | | | | |
| Provision for Sindh Workers' Welfare Fund | 13 | 38,142 | 5,993 | 1,554 | 110 | 45,799 | 43,595 |
| Federal Excise Duty on remuneration of the Pension Fund Manager | 10.1 | 15,068 | 8,535 | 2,312 | - | 25,915 | 25,915 |
| Sindh Sales Tax on Federal Excise Duty on remuneration of the Pension Fund Manager | 10.2 | 1,800 | 962 | 242 | - | 3,004 | 3,004 |
| Charity payable | 10.3 | 3,710 | - | - | - | 3,710 | 2,484 |
| Brokerage payable | | 974 | 71 | 2 | - | 1,047 | 2,398 |
| Custodian Charges Payable | | - | - | - | 37 | 37 | 41 |
| Sindh Sales Tax withheld on brokerage | | 22 | - | - | - | 22 | 22 |
| | | 59,716 | 15,561 | 4,110 | 147 | 79,534 | 77,459 |

- 10.1** 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 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 Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016, also introduced an amendment to the Federal 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, 2018 would have been higher by Rs. 1.37 (2017: Rs. 0.26) per unit, Rs. 0.68 (2017: Rs. 0.34) per unit and Rs. 0.50 (2017: Rs. 0.35) per unit for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively."

- 10.2** It represents amount payable in respect of Sindh Sales Tax at the rate of 13 percent (2017: 13 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 10.1 above.

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.

- 10.3** 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. 3.71 million (2017: Rs. 2.48 million) is outstanding in this regard after making charity payments of Rs 2.50 million (2017: Rs 2.01 million) to renowned charitable institutions. None of the directors of the Pension Fund Manager of the Fund were interested in any of donee's.



11. PRICE ADJUSTMENT CHARGES

Securities and Exchange Commission of Pakistan (SECP) vide letter No. SCD/PRDD/VPS/AIML/O1/2018 dated January 01, 2018 permit the Fund to charge price adjustment charges. Price Adjustment Charges (PAC) means difference between the offer price and the bid price from the closing price of the Gold transactions (Contract) available at PMEX, which shall be added to and deducted from the NAV of the Gold sub fund to determine offer price and redemption price respectively. Such charges shall form part of Fund Property.

Currently, PAC added / Deducted to / from Nav of Gold sub fund to determine offer/ redemption price is 1% of NAV.

12. 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, Pakistan State Oil Company Limited, Searle Company Limited and Highnoon Laboratories Limited (2017: 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, 2018 and June 30, 2017.

13. SINDH WORKERS' WELFARE FUND

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/ mutual funds, the MUFAP had recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act (i.e. starting from May 21, 2015).

In current year, SWWF recognized in all funds except equity sub fund as there is net loss in it. Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2018 would have been higher by Rs. 3.47, Re. 0.48, Re. 0.33 and Rs. 0.22 per unit for Equity Sub Fund, Debt Sub Fund, Money Market Sub Fund and Gold Sub Fund respectively.

14. AUDITORS' REMUNERATION

| | 2018 | | | | Total | 2017 Total |
|------------------------|------------------|---------------|-----------------------|---------------|------------|---------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | | |
| | (Rupees in '000) | | | | | |
| Audit fee | 68 | 68 | 68 | 68 | 272 | 215 |
| Half yearly review | 30 | 30 | 30 | 30 | 120 | 110 |
| Out of pocket expenses | 5 | 5 | 5 | 5 | 20 | 64 |
| | 103 | 103 | 103 | 103 | 412 | 389 |

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons and related parties include Al 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.

- 15.1** 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.
- 15.2** 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.
- 15.3** Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

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

| | 2018 | | | | Total | 2017 Total |
|---|------------------|---------------|-----------------------|---------------|---------|---------------|
| | Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | | |
| | (Rupees in '000) | | | | | |
| Al Meezan Investment Management Limited | | | | | | |
| (Al Meezan) - Pension Fund Manager | | | | | | |
| Remuneration payable | 6,787 | 3,281 | 1,186 | 60 | 11,314 | 11,214 |
| Sindh Sales Tax and Federal Excise Duty on management fee | 882 | 427 | 154 | 8 | 1,471 | 1,457 |
| Investments as at June 30, 2018: (Equity sub fund: 260,077 units; Gold Sub Fund: 300,000) as at June 30, 2017 (Equity sub fund: 260,077 units; Gold Sub Fund : 300,000 units) | 128,691 | - | - | 30,472 | 159,163 | 181,225 |
| Meezan Bank Limited (MBL) | | | | | | |
| Bank balance | 38,124 | 3,702 | 2,330 | 7,332 | 51,488 | 55,310 |
| Profit receivable on saving account | 573 | 115 | 35 | 13 | 736 | 1,528 |
| Central Depository Company of Pakistan Limited (CDC) - Trustee | | | | | | |
| Trustee fee payable | 385 | 186 | 67 | 3 | 641 | 637 |
| Sindh Sales Tax on trustee fee payable | 50 | 24 | 9 | 1 | 84 | 484 |
| Deposits | 100 | 100 | 100 | - | 300 | 300 |



| 2018 | | | | | 2017 | |
|-----------------|---------------|-----------------------|---------------|-------|-------|--|
| Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total | |

(Rupees in '000)

Directors and Executives of the Pension Fund Manager

Investments as at June 30, 2018: (Equity sub fund: 961,580 units; Debt Sub Fund: 376,620 units; Money Market Sub Fund: 9,173 units; Gold Sub Fund: 155,053 Units)
as at June 30, 2017: (Equity sub fund: 839,300 units; Debt sub fund: 407,292 units; Money Market sub fund: 10,158 units; Gold Sub Fund : 160,905 units)

| | | | | | |
|---------|--------|-------|--------|---------|---------|
| 475,809 | 83,052 | 2,002 | 15,749 | 576,612 | 624,927 |
|---------|--------|-------|--------|---------|---------|

| For the year ended June 30, 2018 | | | | | For the year ended June 30, 2017 | |
|----------------------------------|---------------|-----------------------|---------------|-------|----------------------------------|--|
| Equity sub fund | Debt sub fund | Money Market sub fund | Gold sub fund | Total | Total | |

(Rupees in '000)

AI Meezan Investment Management Limited (AI Meezan) - Pension Fund Manager

Remuneration for the year
Sindh Sales Tax on management fee
Units Issued

| | | | | | |
|--------|--------|--------|-----|---------|---------|
| 82,366 | 36,578 | 11,204 | 684 | 130,832 | 120,372 |
| 10,708 | 4,755 | 1,457 | 89 | 17,009 | 15,649 |
| - | - | - | - | - | 30,000 |

Meezan Bank Limited (MBL)

Profit on savings account

| | | | | | |
|-------|----|----|-----|-------|-------|
| 1,586 | 29 | 18 | 132 | 1,765 | 3,329 |
|-------|----|----|-----|-------|-------|

Central Depository Company of Pakistan Limited (CDC) - Trustee

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

| | | | | | |
|-------|-------|-----|----|-------|-------|
| 4,743 | 2,107 | 645 | 39 | 7,534 | 5,306 |
| 617 | 274 | 84 | 5 | 980 | 745 |
| 183 | 7 | 7 | - | 197 | 247 |

Directors and Executives of the Pension Fund Manager

Units Issued (Equity Sub Fund: 165,243 units; Debt Sub Fund: 44,429 units; Money Market Sub Fund: 3,646 units; Gold sub fund: 17,629 units)

| | | | | | |
|--------|-------|-----|-------|---------|--------|
| 88,663 | 9,582 | 779 | 1,697 | 100,721 | 80,201 |
|--------|-------|-----|-------|---------|--------|

Units redeemed / reallocated (Equity Sub Fund 42,963 units; Debt Sub Fund: 75,101 units; Money Market Sub Fund: 4,631 units; Gold sub fund: 23,481 units)

| | | | | | |
|--------|--------|-----|-------|--------|--------|
| 21,664 | 16,211 | 996 | 2,152 | 41,023 | 38,197 |
|--------|--------|-----|-------|--------|--------|

16. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The risk management policy of the Fund aims to maximise the return attributable to the 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:

16.1 Market risk

16.1.1 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, 2018 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, 2018, the net income for the year would increase / decrease by Rs. 263 million (net off SWWF) (2017: Rs. 279 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.

16.1.2 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.

a) 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. 32.35 million (2017: approximately Rs. 19.56 million) if the market interest rates increase / decrease by 100 basis.

b) 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.

| Effective yield / Interest rate | As at June 30, 2018 | | | Not exposed to yield / Interest rate risk | Total | |
|---|---------------------------------------|---|-----------------------|--|------------------|------------------|
| | Exposed to yield / interest rate risk | | | | | |
| | Upto three months | More than three months and upto one year | More than one year | | | |
| (Rupees in '000) | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 2.00% to 6.60% | 1,449,408 | - | - | 818 | 1,450,226 |
| Investments | | | | | | |
| - Held for trading (shares of listed companies) | | - | - | - | 5,265,792 | 5,265,792 |
| - Held for trading (sukuk certificates) | | - | 760,095 | - | - | 760,095 |
| - Investments designated at fair value through profit or loss upon initial recognition* | | | | | | |
| - Sukuk certificates | KIBOR + 2.25% | - | - | 193,228 | - | 193,228 |
| - Loans and receivables | 5.70% to 6.40% | - | - | - | 1,592,000 | 1,592,000 |
| Receivable against sale of investments (net) | | - | - | - | 15,610 | 15,610 |
| Dividend receivable | | - | - | - | - | - |
| Receivable against change of plan / change of fund manager / issuance of units | | - | - | - | 401 | 401 |
| | | 1,449,408 | 760,095 | 193,228 | 6,874,621 | 9,277,352 |
| Financial liabilities | | | | | | |
| Payable to Al Meezan Investment Management Limited - Pension Fund Manager | | - | - | - | 12,785 | 12,785 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 725 | 725 |
| Payable to auditors | | - | - | - | 240 | 240 |
| Payable against purchase of investments (net) | | - | - | - | 6,499 | 6,499 |
| Payable against withdrawal / change of plan | | - | - | - | 8,060 | 8,060 |
| Accrued expenses and other liabilities | | 1,084 | - | - | - | 1,084 |
| | | 1,084 | - | - | 28,309 | 29,393 |
| On-balance sheet gap | | 1,448,324 | 760,095 | 193,228 | 6,846,312 | 9,247,959 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - | - |
| Total interest rate sensitivity gap | | 1,448,324 | 760,095 | 193,228 | | |
| Cumulative interest rate sensitivity gap | | 1,448,324 | 2,208,419 | 2,401,647 | | |

| Effective yield / Interest rate | As at June 30, 2017 | | | Not exposed to yield / Interest rate risk | Total | |
|---|---------------------------------------|---|-----------------------|--|------------------|------------------|
| | Exposed to yield / interest rate risk | | | | | |
| | Upto three months | More than three months and upto one year | More than one year | | | |
| (Rupees in '000) | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 2.50% to 6.20% | 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 |

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) | | | | | |
| 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 |
| | 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 | | |

16.1.3 Currency risk

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

16.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail 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 | 2018 | | | | 2017 | | | |
|-----------------------|------------------|-------------|-----------------------|-------------|------------------|-------------|-----------------------|-------------|
| | 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 | 655,442 | 31.40% | 104,653 | 23% | 1,347,199 | 75% | 282,624 | 100% |
| AA | JCR-VIS 193,228 | 9.26% | - | - | 26,520 | 1% | - | - |
| AA- | PACRA 1,239,000 | 59.35% | 353,000 | 77% | 430,000 | 24% | - | 0% |
| | 2,087,670 | 100% | 457,653 | 100% | 1,803,719 | 100% | 282,624 | 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 | 2018 | |
|-----|----------------|------------------|--------------|
| | | (Rs. in '000) | (Percentage) |
| AAA | JCR-VIS, PACRA | 413,256 | 28% |
| AA+ | JCR-VIS, PACRA | 357,131 | 25% |
| AA | JCR-VIS, PACRA | 110,196 | 8% |
| AA- | JCR-VIS, PACRA | 438,081 | 30% |
| A+ | JCR-VIS, PACRA | 132,211 | 9% |
| | | 1,450,875 | 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, 2018 along with comparative is tabulated below:

| | 2018 | 2017 |
|--|------------------|------------------|
| | (Rupees in '000) | |
| Financial assets exposed to credit risk | | |
| Bank balances | 1,450,885 | 1,484,202 |
| Investments | 1,828,128 | 2,086,343 |
| Dividend receivable | 15,610 | 24,606 |
| Deposits and other receivables | 42,106 | 58,108 |
| Receivable against change of plan / change of fund manager | 401 | 91,130 |
| | 3,337,130 | 3,744,389 |

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.

16.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting 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, 2018 and June 30, 2017 is tabulated below:

| | 2018 | | | | Total |
|---|------------------|------------|----------|--------------------|------------------|
| | Maturity upto | | | | |
| | Three months | Six months | One year | More than one year | |
| | (Rupees in '000) | | | | |
| Payable to Pension Fund Manager | 12,785 | - | - | - | 12,785 |
| Payable to Trustee | 725 | - | - | - | 725 |
| Payable to auditors | 240 | - | - | - | 240 |
| Payable against purchase of investments - net | 6,499 | - | - | - | 6,499 |
| Payable against withdrawal / change of plan | 8,060 | - | - | - | 8,060 |
| Accrued expenses and other liabilities | 30,003 | - | - | - | 30,003 |
| Net assets attributable to redeemable units | 9,257,013 | - | - | - | 9,257,013 |
| | 9,315,325 | - | - | - | 9,315,325 |
| | 2017 | | | | |
| | Maturity upto | | | | Total |
| | Three months | Six months | One year | More than 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 |

17. 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.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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, 2018 | Note | Carrying amount | | | | Fairvalue | | | | |
|---|------|------------------|-------------------|---------------------------|----------------|------------------|------------------|----------------|----------|------------------|
| | | Investments | Other receivables | Cash and cash equivalents | Other payables | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | | | |
| -measured at fair value | | | | | | | | | | |
| Investments | | | | | | | | | | |
| Held for trading | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | 18.3 | 5,265,792 | - | - | - | 5,265,792 | 5,265,792 | - | - | 5,265,792 |
| | 18.3 | 760,095 | - | - | - | 760,095 | - | 760,095 | - | 760,095 |
| -Investments designated at fair value through profit or loss upon initial recognition | | | | | | | | | | |
| | 18.3 | 193,228 | - | - | - | 193,228 | | 193,228 | - | 193,228 |
| | | 6,219,115 | - | - | - | 6,219,115 | 5,265,792 | 953,323 | - | 6,219,115 |
| Financial assets | | | | | | | | | | |
| - not measured at fair value | | | | | | | | | | |
| | 18.3 | - | - | 1,450,885 | - | 1,450,885 | - | - | - | - |
| | 18.3 | 1,592,000 | - | - | - | 1,592,000 | - | - | - | - |
| | 18.3 | - | 15,610 | - | - | 15,610 | - | - | - | - |
| | 18.3 | - | 42,106 | - | - | 42,106 | - | - | - | - |
| | 18.3 | - | 401 | - | - | 401 | - | - | - | - |
| | | 1,592,000 | 58,117 | 1,450,885 | - | 3,101,002 | - | - | - | - |
| Total | | 7,811,115 | 58,117 | 1,450,885 | - | 9,320,117 | 5,265,792 | 953,323 | - | 6,219,115 |
| Financial liabilities | | | | | | | | | | |
| - not measured at fair value | | | | | | | | | | |
| | 18.3 | - | - | - | 12,785 | 12,785 | - | - | - | - |
| | 18.3 | - | - | - | 725 | 725 | - | - | - | - |
| | 18.3 | - | - | - | 240 | 240 | - | - | - | - |
| | 18.3 | - | - | - | 6,499 | 6,499 | - | - | - | - |
| | 18.3 | - | - | - | 8,060 | 8,060 | - | - | - | - |
| | 18.3 | - | - | - | 1,084 | 1,084 | - | - | - | - |
| | | - | - | - | 29,393 | 29,393 | - | - | - | - |

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

18.2 Underlying the definition of fair values 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.

18.3 The Fund has not disclosed fair value for these 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.

19. PERFORMANCE TABLE

| | For the year ended June 30, 2018 | For the year ended June 30, 2017 | Percentage change | For the year ended June 30, 2016 | For the year ended June 30, 2015 | For the year ended June 30, 2014 |
|---|----------------------------------|----------------------------------|-------------------|----------------------------------|----------------------------------|----------------------------------|
| | ----- (Rupees in '000) ----- | | ----- % ----- | ----- (Rupees in '000) ----- | | |
| EQUITY SUB FUND | | | | | | |
| Net (loss)/ income | (1,070,301) | 983,882 | (209) | 627,422 | 575,199 | 376,514 |
| Net realised (loss)/ gain on sale of investments | (397,392) | 262,772 | (251) | 83,000 | 33,649 | 63,710 |
| Unrealised (diminution) / appreciation on 're measurement of investments at 'fair value through profit or loss' (net) | (759,404) | 499,111 | (252) | 443,793 | 413,933 | 208,999 |
| Dividend income | 260,126 | 189,475 | 37 | 134,962 | 83,044 | 49,275 |
| Profit on savings accounts with banks | 6,088 | 10,049 | (39) | 5,324 | 6,048 | 7,659 |
| Transactions in securities | | | | | | |
| Purchases | 2,450,808 | 2,904,774 | (16) | 3,050,708 | 1,851,923 | 1,406,804 |
| Sales | 1,854,015 | 1,937,982 | (4) | 2,144,252 | 2,597,064 | 1,917,077 |
| Total contribution received | 1,739,581 | | | 1,390,729 | 1,171,025 | 697,392 |
| Total net asset value | 5,431,850 | 5,806,229 | (6) | 4,099,339 | 2,740,148 | 1,537,033 |
| Net Asset value per unit (Rs.) | 494.8205 | 592.32 | (16) | 491.95 | 416.67 | 329.21 |
| DEBT SUB FUND | | | | | | |
| Net income | 74,278 | 118,284 | (37) | 85,892 | 86,322 | 74,854 |
| Net realised (loss) / gain on sale of investments | (17,356) | 103 | (16,950) | (4,885) | (3,568) | 1,442 |
| Unrealised appreciation / (diminution) on 're measurement of investments at 'fair value through profit or loss' | (11,557) | 17,117 | (168) | 10,943 | (1,867) | 5,949 |
| Profit on savings accounts with banks | 17,532 | 53,711 | (67) | 15,707 | 7,077 | 17,696 |
| Profit on Term Deposit Receipts | 50,442 | 22,259 | 127 | 17,720 | 8,147 | - |
| Profit on Sukuk Certificates | 73,901 | 53,251 | 39 | 66,385 | 94,122 | 51,853 |
| Transactions in securities | | | | | | |
| Purchases | 249,325 | 814,971 | (69) | 2,486,333 | 486,514 | 975,483 |
| Sales | (46,183) | 813,828 | (106) | 1,853,448 | 688,797 | 1,368,847 |
| Total contribution received | 1,254,161 | - | - | 805,986 | 642,794 | 588,187 |
| Total net asset value | 11,701,249 | 11,701,249 | - | 1,997,375 | 1,398,572 | 1,047,167 |
| Net Asset value per unit (Rs.) | 220.5205 | 214.59 | - | 204.48 | 195.69 | 183.87 |
| MONEY MARKET SUB FUND | | | | | | |
| Net income | 28,316 | 27,952 | 1 | 17,554 | 21,721 | 19,295 |
| Net realised gain / (loss) on sale of investments | (2,953) | - | - | (1,391) | 67 | 865 |
| Unrealised appreciation / (diminution) on 're-measurement of investments at 'fair value through profit or loss' | (2,363) | 2,931 | | 1,187 | (82) | 867 |
| Profit on savings accounts with banks | 15,469 | 18,530 | (17) | 10,327 | 4,801 | 8,875 |
| Profit on Term Deposit Receipts | 13,472 | 2,745 | 391 | 1,245 | - | - |
| Profit on Sukuk Certificates | 12,503 | 7,987 | 57 | 11,973 | 24,278 | 15,664 |
| Transactions in securities | | | | | | |
| Purchases | - | 285,848 | - | 465,848 | 160,141 | 432,046 |
| Sales | (177,392) | 155,343 | (214) | 603,601 | 223,907 | 386,348 |
| Total contribution received | - | | | 225,300 | 156,548 | 205,019 |
| Total net asset value | 1,013,598 | 662,819 | 53 | 453,309 | 337,801 | 299,126 |
| Net Asset value per unit (Rs.) | 218.2775 | 212.18 | 3 | 203.23 | 195.36 | 182.80 |
| GOLD SUB FUND | | | | | | |
| Net income / (loss) | 5,403 | (4,493) | (220) | - | - | - |
| Net realised gain on sale of investments | 79 | - | - | - | - | - |
| Unrealised appreciation / (diminution) on 're measurement of investments at 'fair value through profit or loss' | 6,347 | (3,112) | (304) | - | - | - |
| Profit on savings accounts with banks | 133 | 138 | (4) | - | - | - |
| Profit on Term Deposit Receipts | - | - | - | - | - | - |
| Profit on Sukuk Certificates | - | - | - | - | - | - |
| Transactions in securities | | | | | | |
| Purchases | - | 734 | - | - | - | - |
| Sales | 866 | | | | | |
| Total contribution received | - | | | | | |
| Total net asset value | 49,960 | 43,243 | 16 | - | - | - |
| Net Asset value per unit (Rs.) | 101.5719 | 90.59 | 12 | - | - | - |



| | 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 |
| For the year ended June 30, 2018 | 457.3652 | 600.0524 | 213.9056 | 220.4958 | 211.9147 | 218.2535 | 89.1073 | 103.2814 |
| For the year ended June 30, 2017 | 496.74 | 672.22 | 204.57 | 214.71 | 203.23 | 212.23 | 86.68 | 100.00 |

20. COMMODITY RISK MANAGEMENT

20.1 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).

21. TAXATION

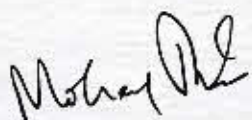
The income of the Fund is exempt from income tax under clause 57(3) (viii) of part I of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision has been made for current and deferred taxation in these financial statements.

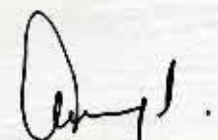
The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001. Accordingly, Supertax and any other taxes introduced in Finance Act, 2015 is also not applicable on fund.

22. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 09, 2018 by the Board of Directors of the pension fund manager.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director



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(AM1 rating by JCR-VIS)

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