



Pure. Profit.

Annual Report 2013



Meezan Islamic Fund (MIF)

Al Meezan Mutual Fund (AMMF)

KSE-Meezan Index Fund (KMIF)

Meezan Islamic Income Fund (MIIF)

Meezan Sovereign Fund (MSF)

Meezan Cash Fund (MCF)

Meezan Capital Protected Fund (MCPF-II)

Meezan Financial Planning Fund of Funds (MFPP)



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# Vision

"To promote professional fund management through development and implementation of Shariah compliant investment products, policies and practices designed to meet the investment objectives of the investors".

# Mission

"To be the leading Shariah compliant asset management company providing quality service to institutional and individual investors utilizing modern techniques of portfolio management, proactive asset allocation and prudent security selection while maintaining high standards of ethical and professional conduct".



# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited is pleased to present the audited annual financial statements of the following open end funds under its management, for the year ended June 30, 2013:

## **Equity Funds**

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

## **Income Funds**

- Meezan Islamic Income Fund
- Meezan Sovereign Fund

## **Money Market Fund**

- Meezan Cash Fund

## **Fund of Fund**

- Meezan Financial Planning Fund of Funds

## **Capital Protected Fund**

- Meezan Capital Protected Fund -II

## **Economic Review**

Amid rising macroeconomic challenges, the outgoing FY'13 continued to be marred with energy crisis, structural weaknesses and heightened security concerns. Given these challenges, GDP growth fell to 3.6% during the year in comparison to 4.4% last year and the budgetary target of 4.3%. This however, compares favorably with the last five years average growth rate of 2.9% and was supported by 3.3% growth in agriculture, 2.8% growth in large scale manufacturing and 3.7% growth in the services sector. On the external front, in spite of Coalition Support Fund (CSF) inflows, strong remittances and lower trade deficit, forex reserves remained under pressure due to IMF loan repayments. The headline CPI inflation dipped to a multi-year low of 7.4% in FY'13 mainly because of sluggish private sector demand, decline in consumer gas tariff and softer food inflation. This low inflation number formed the basis for SBP to reduce the discount rate by a cumulative 300bps to 9% during the year.

The magnitude of current account deficit stayed manageable with the year end figure clocking in at US\$ 2.3 billion as against a deficit of US\$ 4.66 billion in FY'12; the primary driver of this improvement were the CSF flows amounting to US\$ 1.8 billion. Subdued oil prices and softer food inflation also helped the current account especially when the country's trade deficit declined to US\$ 15.1 billion in FY'13 as against US\$ 15.8 billion last year. Workers remittance however, grew by 5.6% to US\$ 13.9 billion in FY'13. Pressure on external account came from financial account (FA) which posted a deficit of US\$ 80 million in FY'13 as against a surplus of US\$ 1,280 million in the same period last year. This was mainly due to higher debt repayments and subdued loan flows. The repayments to IMF (US\$ 3.0 billion paid in FY'13) also contributed to reduction in Pakistan's forex reserves, which declined by \$4.3 billion to \$11 billion as on June 30, 2013. These payments also exerted immense pressure on the currency as Pak Rupee depreciated by 5.4% to close the year at Rs. 99.66/\$.

On the fiscal front, election year considerations kept the pressure intact. The pace of fiscal reforms during last year of the outgoing government was slow with low tax mobilization and higher subsidy outlays (particularly power subsidy of around Rs. 349.287 billion) remained the major concerns. FBR tax collection remained lack luster as it provisionally increased by merely 1.8% to Rs. 1.940 trillion in FY'13, showing a shortfall of Rs. 110 billion from their revised target. Further to this, circular debt payments of Rs. 480 billion led to increase in fiscal deficit. As a result, fiscal deficit in FY'13 is provisionally close to 9% of GDP vs. 6.8% in FY'12. A turnaround of loss-making public sector enterprises as well as increasing the tax-to-GDP ratio will be must to address challenges for the newly elected government.

Going forward, Pakistan has applied for new IMF program amounting to US\$ 6.6bn to control external account pressures. Higher taxes and likely increase in power tariffs may push CPI inflation up in FY'14 from 7.4% in FY'13. This will probably exceed the year's target of 8% which could trigger an increase in discount rate. The IMF loan, disbursement of which is likely to start by September 2013, along with increased multilateral and bilateral support has greatly de-risked external account.

## Equity Review

Fiscal year ended June, 2013 (FY'13) turned out to be one of the best years for Pakistan's equity market as the KSE-100 index gained 52% or 7,204pts (46% in dollar terms) to close at the level of 21,006 points while the KMI 30 index gained 55.75% or 13,142 pts (48.42% in dollar terms) to close at the level of 36,714 pts. Post the relaxation of Capital Gains Tax (CGT) rules, the rally gained additional impetus on the back of improved ties with the US and resultant CSF flows which also coincided with a series of discount rate cuts. Towards the end of the year, a smooth political transition, albeit after a delay in installation of the caretaker setup provided added muscle to the continued bull run, resulting in re-rating of the market trailing P/E from 6.5x to ~7.9x over 12-months. The improvement in macro economic outlook in line with improved corporate performance, Pak US relationship and a smooth political transition also reflected in improved foreign investor confidence as foreign portfolio investment clocked in at US\$553 million for the year.

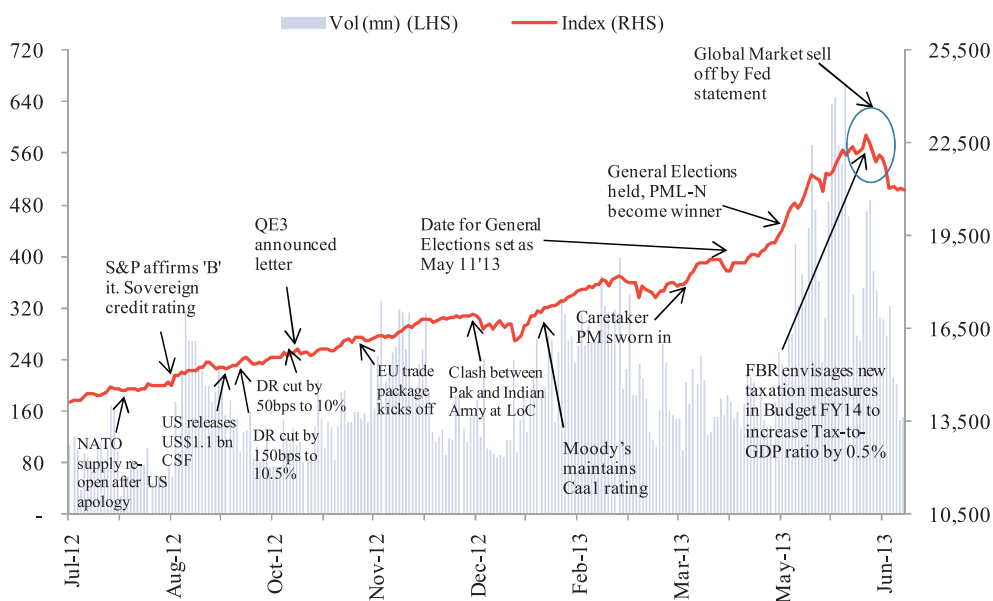
FY'13 started off for KSE on a strong note, buoyed by an unexpected 150 bps reduction in the SBP benchmark discount rate from 12% to 10.5% in Aug 2012; subsequent reductions in the key rate during FY'13 translated into a cumulative cut of 300bps during the year. The monetary easing followed on the heels of decelerating inflation, which averaged 7.4% in FY'13, as compared to 11% last year. Other policy matters that played a role in driving the market were 1) International Clearing House (ICH) formation and revocation (higher termination rates for long distance international (LDI) operators 2) gas supply to fertilizer sector and fertilizer import policy; 3) Oil & Gas sector policy finalization, though the impact of the same will be seen with a lag; 4) auto sector (used car imports) 5) announcement of Unilever buyback from KSE of a total amount of approximately US\$ 500 million and likely diversion of these funds to local equity market by existing minority shareholders of Unilever and 5) active foreign participation which lifted investor sentiment and boosted the market.

Towards the end of FY'13, the stock market got another boost from election results in May, 2013 which resulted in a simple majority to the PML-N, and the same was viewed as a precursor to a very positive economic change by the business community, since PML-N has been known for its pro-business policies. An important advantage of PML-N's strong mandate is that it will allow them to undertake unpopular but much needed reforms (such as raising power tariffs, taxes), without getting bogged down by coalition politics/opposition. The incoming government presented its first budget soon after taking charge whereby some ostracized measures were implemented, such as a 1% rise in GST, a 0.5% wealth tax on net movable assets, and a more progressive income tax structure. However from KSE's vantage point, corporate tax rate was reduced by 1% to 34% for tax year 2014, with a scheduled step-wise annual decline of 1% to 30% by FY'18.

After announcement of the budget, the market took a correction after peaking up to the level of 22,881 points; the index ultimately closed at the level of 21,006 points translating into an overall appreciation of 52% during FY'13.

### Sector Performance

In terms of sector performance, the index was propelled by strong gains across Telecom, Cements, Textiles, Food Producers and heavyweight Oil and Gas companies. Stable cotton prices, increased yarn demand from China and lower interest rates were the key positives also providing tailwinds to the market. Among the laggards, chemical sector severely underperformed the market mainly due to issues faced by the fertilizer sector. Initially it appeared to be a dismal period for the banking sector as well since it was overwhelmed by significant monetary easing and resultant decline in net interest margins, while the decision to maintain the minimum average deposit rate compounded the issue. However, towards the later part of the year, with more stable macros and politics, the banking sector showed signs of improvement, Market expectations started changing on the currently prevalent interest rate scenario as well, which bodes well for higher spreads in the future. High yield and leveraged stocks performed well in response to this 300 bps cut in discount rate to 9.0%.



## Volumes, Liquidity and Foreign activity

The volumes at KSE also improved significantly, taking average daily shares volume to 199 million shares (US\$ 59 million in value terms) in FY'13, with the KSE 100 up 52% (46% in US\$ term) compared to corresponding period last year. During the last quarter of the year, average daily volume on the KSE surged to 289mn shares.

The impressive performance resulted in a revival of foreign interest where the KSE saw net inflows of US\$ 553 million (US\$358mn excluding ULEVER buyback) in FY'13 vs. a US\$ 166 million outflow in FY'12. During the year, companies and mutual funds remained net sellers to the tune of US\$ 178.76 million and US\$ 150.41 million respectively, while banks/ DFI's were net sellers to the tune of US\$ 12.99 million. Individuals were also net sellers by US\$ 33.06 million.

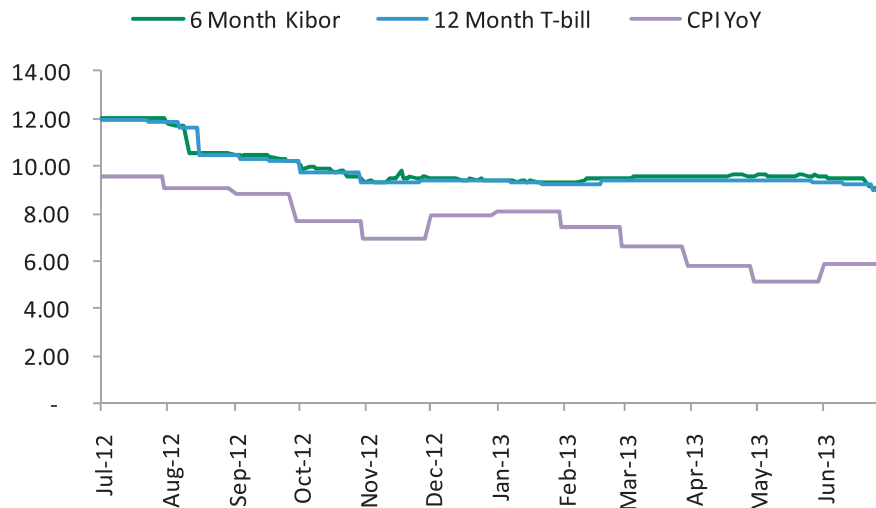
## Money Market Review

Fiscal year 2013 turned out to be a rutted period for the money market in light of SBP's continued monetary easing and the resultant mayhem in market expectations/actions. With the CPI ultimately clocking in at 7.4% for FY'13, the falling inflation numbers provided enough cushion for the SBP to slash the key rate by 300 bps bringing it down to 9.0% during the year. Every bimonthly monetary policy announced during this fiscal year followed a round of immense speculation regarding the probability of a discount rate cut which ultimately kept the T-bill and PIB yields quite volatile for most part of this year.

The illiquidity prevalent in the market required SBP to inject regular liquidity in the system via 57 OMOs amounting to Rs. 23.3 trillion. During this period, twenty six T-bill auctions and twelve PIB auctions were also conducted; cumulatively, the government accepted Rs. 5.4 trillion against a participation of Rs. 7.7 trillion in T-bills and Rs. 251 billion against a participation of Rs. 563 billion in PIBs. Most importantly for the Islamic financial institutions and NBFCs, two new GoP Ijarah auctions were also conducted during this period (Ijarah XIII - cut off at a discount of 25 bps and Ijarah XIV - cut off at a discount of 30 bps to six months T-Bill yield) whereby in total, Rs.104 billion was accepted by the government against a participation of Rs. 214 billion with Rs. 14.4bn maturing during the period. Al Meezan also participated in these auctions on behalf of its funds. The vast gap in participation and acceptance levels in these auctions however, reflects clearly on the lack of sufficient investment avenues available for the Shariah compliant end of the market.

The forex front continued on a dismal trend for the rupee during FY'13, mainly on account of external debt repayments, a major chunk of which comprised IMF repayments amounting to \$3.0 billion; the SBP's reserves declined to \$6 billion as of June 2013 from \$10.8 billion in June 2012, despite inflows through foreign remittances and realization of \$1.8 billion worth of CSF tranches. Despite SBP's interventions, rupee hit its all time lows both in the interbank as well as open market; depreciating by 5.4%, it closed at Rs. 99.80/\$ in the interbank market while in the open market, it closed at Rs. 100.75/\$ which translates into a depreciation of 5.17%. Subsequent to year end, the rupee has eroded further in interbank market to 101.85/\$ as on 31st July 2013.

Graphically, the overall interest rate, T-bill yield and inflation rate behaviors can be observed as under:



### Mutual Fund Industry Review

During the fiscal year 2013, Assets under Management (AUM) of the mutual fund industry witnessed a decline of 5.3% to Rs. 361 billion. Islamic funds on the other hand grew by 30.3% during the year to Rs 68 billion, thus bringing the contribution of Islamic funds to 18.9% in the total mutual fund industry.

In terms of net assets, open end sovereign, money market and income funds collectively showed a decline of 17.3% during FY13, reaching Rs 234 billion at period end. Islamic funds in the above mentioned categories increased by 21.3% during the year. Open end Equity funds depicted a mixed picture where the equity based funds (including capital protected, index tracker, and asset allocation) increased by 30.8% to reach Rs 91 billion compared to Rs 70 billion as at June 30, 2012. Islamic equity based funds, on the other hand, showed a significant growth of 71.2% in the year and stood at Rs. 18.0 billion. Similarly, the size of Voluntary Pension funds also reached Rs 4.7 billion as at June 2013 end, up 74.7% from June 2012. Islamic Pension Funds also witnessed a growth of 80.4% in the year to clock in at Rs 2.9 billion as on June 30, 2013, having market share of 62% in Voluntary Pension Schemes.

The decline in the mutual fund industry in general, and in the sovereign and money market categories in particular, is primarily due to a levy of tax at 25% for the tax year 2013 on any dividend received by banks from a money market or income fund. Further to this, the decline may also be attributable to a steep rise in equity markets as the money started flowing into equity funds.

The Mutual Fund industry is, therefore, in a consolidation stage, and is expected to stabilize with the launch of newer products catering to investors with diversified requirements. Al Meezan itself is looking forward to cater to the diversified investment requirements of investors through its upcoming product, Meezan Financial Planning Fund of Funds. This fund is designed with three allocation plans to allow investors whether they prefer an aggressive, moderate, or conservative approach to invest through the fund.

## Performance Review

Name of Fund	Type	Net Assets June 30, 2013 (Rs. millions)	Growth in Net Assets for FY13	Return for FY13	Benchmark FY13
Al Meezan Mutual Fund (AMMF)	Open-End Equity	2,190	30%	50.56%	54.4%
Meezan Islamic Fund (MIF)	Open-End Equity	9,476	77%	50.73%	54.4%
Meezan Balanced Fund (MBF)	Closed-End Balanced	1,747	14%	31.84%	30%
Meezan Islamic Income Fund (MIIF)	Open-End Income	2,645	119%	14.45%	5.54%
Meezan Cash Fund (MCF)	Open-End Money Market	6,511	-12%	8.78%	6.91%
Meezan Sovereign Fund (MSF)	Open-End Income Fund	19,654	0%	9.11%	6.91%
Meezan Capital Protected Fund - II	Open-End Capital Protected Fund	506	14%	15.21%	17.9%
<b>Meezan Tahaffuz Pension Fund</b>					
- Equity sub fund	Voluntary Pension Scheme	804	149%	54.93%	
- Debt sub fund		640	93%	8.26%	
- Money market sub fund		303	43%	7.77%	
KSE Meezan Index Fund	Open-End Index Tracker	901	211%	49.64%	54.4%
<b>Meezan Financial Planning Fund of Funds*</b>					
- Aggressive	Open-end Fund of Fund	255	NA	9.00%	7.9%
- Moderate		158	NA	6.50%	6.2%
- Conservative		285	NA	3.80%	3.6%
<b>Total</b>		<b>45,380</b>			

\* The Fund was launched on April 11, 2013  
NA: Not Applicable

## Operational Review

Please refer to respective fund management reports for operational reviews.

## Auditors

### Collective Investment Schemes

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible has offered themselves as auditors of the collective investment schemes under management of Al Meezan for FY: 2013-14. The board of directors on recommendation of the audit committee has approved their appointment for all the collective investment schemes under management of Al Meezan for FY: 2013-14.

## Outlook

Pakistan's external account risks have started to subside as budgetary measures to raise revenue and eliminate subsidies have paved the way for a new IMF loan by September, 13. This will also help Pakistan generate FX inflows from multilaterals. Improvement in bilateral support is already visible with China treating the currency swap as a loan for budgetary financing. With the IMF loan providing support to the external account, GoP's focus on fiscal consolidation, broadening of tax net, and a commitment towards revival of growth is expected to lead the way for economy's return to the growth path. Budget made major headways in restoring private sector confidence. Onetime payment of circular debt balance by end June as promised by the government in the budget covered further ground in restoring private sector confidence. However, increase in taxation in the budget, and likely increase in electricity tariffs to reduce subsidies could drive up inflation, which remains the key risk faced by the economy.

With higher taxes and likely increase in power tariffs setting the base for rising inflation, key signpost to watch would be CPI inflation figures for the next few months which would determine the future path of interest rates. IMF loan, which is likely by September, 13, along with increased multilateral and bilateral support have greatly de-risked external account.

Despite the fact that the KSE-100 index rallied more than 50% in FY'13 and has already risen 11% by July 31, 2013 (1MFY'14), KSE-100 is trading at FY'14 PER of 8.1x, with FY'14 earnings growth of 11% and a dividend yield of 6.7%. We believe that the new government will focus more on infusing economic growth, improving transparency and administrative efficiencies. Resultantly the stock market is also expected to perform well on the back of positive economic outlook, stable government focusing on good governance and attractive valuations of fundamentally strong scrips.

## Compliance with Code of Corporate Governance

Al Meezan Investment Management Limited always strives to maintain the highest standards of corporate governance. In compliance with the Code of Corporate Governance, the Board of Directors declares that:

- These financial statements, prepared by the management company of the Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- During the year ending June 30, 2013, the sale and repurchase of units of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children are as under:

### Meezan Islamic Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mazhar Sharif	Director	140,940	171,101
Syed Amir Ali	Director	10,174	-
Mr. Mohammad Shoaib, CFA	CEO	-	1,086,248

### Al Meezan Mutual Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mohammad Shoaib, CFA	CEO	929,925	348,891

### KSE Meezan Index Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mohammad Shoaib, CFA	CEO	849,265	-

### Meezan Islamic Income Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Ariful Islam	Chairman	402,434	-
Mr. Mohammad Shoaib, CFA	CEO	485,060	-
Mr. Tasnimul Haq Farooqui	Director	191	-
Syed Amir Ali	Director	37,503	-
Syed Owais Wasti	CFO	3,959	-

### Meezan Cash Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mohammad Shoaib, CFA	CEO	-	7,963
Syed Owais Wasti	CFO & Company Secretary	120,902	19,992
Mr. Arif ul Islam	Director	-	-
Mr. Mazhar Sharif	Director	-	1,032
Mr. Tasnim ul Haq Farooqui	Director	48,806	41,971



### Meezan Sovereign Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Arif ul Islam	Director	-	108,204
Mr. Mohammad Shoaib	CEO	1,892,042	1,294,776
Mr. Mazhar Sharif	Director	227,392	580,201
Mr. Tasnim ul Farooqi	Director	29,897	21,396
Syed Amir Ali	Director	33,661	26,483
Syed Owais Wasti	CFO	17,716	-

### Meezan Financial Planning Fund of Funds

#### The Aggressive Allocation Plan

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mohammad Shoaib	CEO	10,000	-

#### The Moderate Allocation Plan

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mohammad Shoaib	CEO	10,000	-

#### The Conservative Allocation Plan

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mohammad Shoaib	CEO	10,000	-

- Pattern of holding of units is given at the end of report of respective fund.
- Financial highlights are given in notes to the financial statements, of respective fund.

### Board Meetings

Details of Board Meetings and attendance therein is provided in the financial statements.

### Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it one of the largest asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Trustee, Central Depository Company of Pakistan and management of Karachi Stock Exchange for their support. We would also 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.



# 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  
Web site: [www.almeezangroup.com](http://www.almeezangroup.com)  
E-mail: [info@almeezangroup.com](mailto:info@almeezangroup.com)

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Allied Bank Limited	Askari Bank Limited - Islamic Banking
Al Baraka Islamic Bank B.S.C (E.C)	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
Meezan Bank Limited	UBL Ameen
Standard Chartered Bank (Pakistan) Limited - Islamic Banking	

## LEGAL ADVISER

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi - 75530  
Phone: (9221) 3565 7658-59 Fax: (9221) 3565 7673  
E-mail: [bawaney@cyber.net.pk](mailto:bawaney@cyber.net.pk)

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi.  
Phone: 32062891 Fax: 32552771  
Web site: [www.meezanbank.com](http://www.meezanbank.com)

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

# REPORT OF THE FUND MANAGER

Meezan Islamic Fund (MIF) is an open end equity fund investing in Shariah compliant listed equity securities.

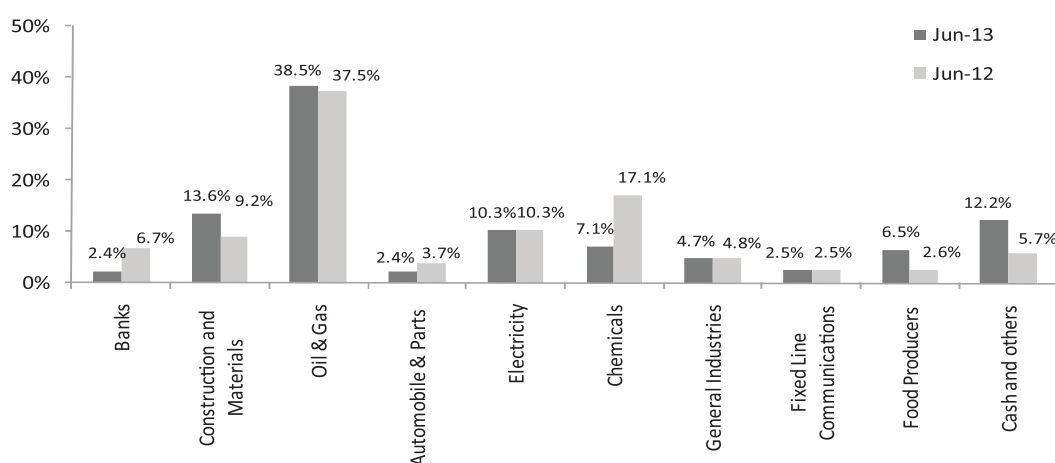
The objective of MIF is to provide total return to the investors from investment in Shariah Compliant investments for the given level of risk, while abiding by all applicable rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), dividend income and other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

## Strategy, Investment Policy and Asset Allocation

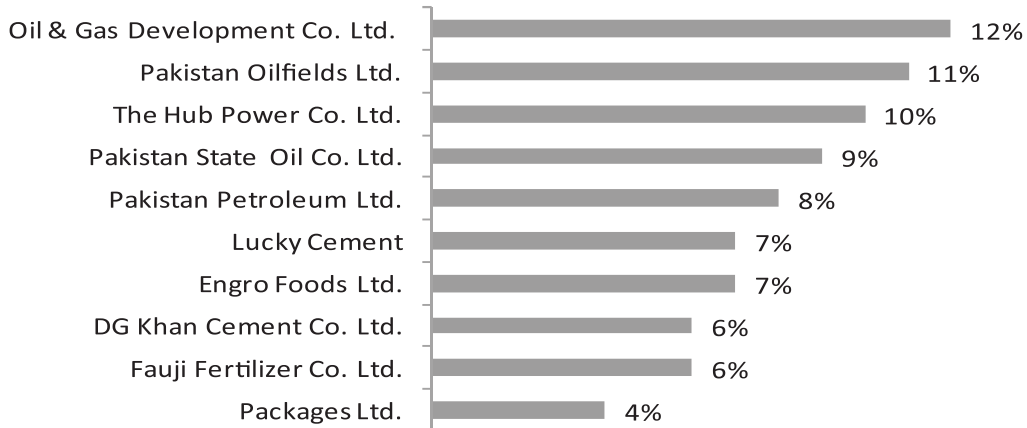
The performance of MIF is linked directly to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against 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 98.98% in line with the market trend. However, it maintained an average exposure of 95.29% to equities during the year, while closing the year at 93.3%. The fund maintained heavy exposure to the Oil & Gas and Power sector taking into consideration the profitability of these sectors while it increased exposure in consumer sectors specially Food. However, exposure in Chemical sector has been reduced due to weak outlook on fertilizer industry.

## Sector Allocation for the year ended FY12 and FY13



## Top Ten Holdings

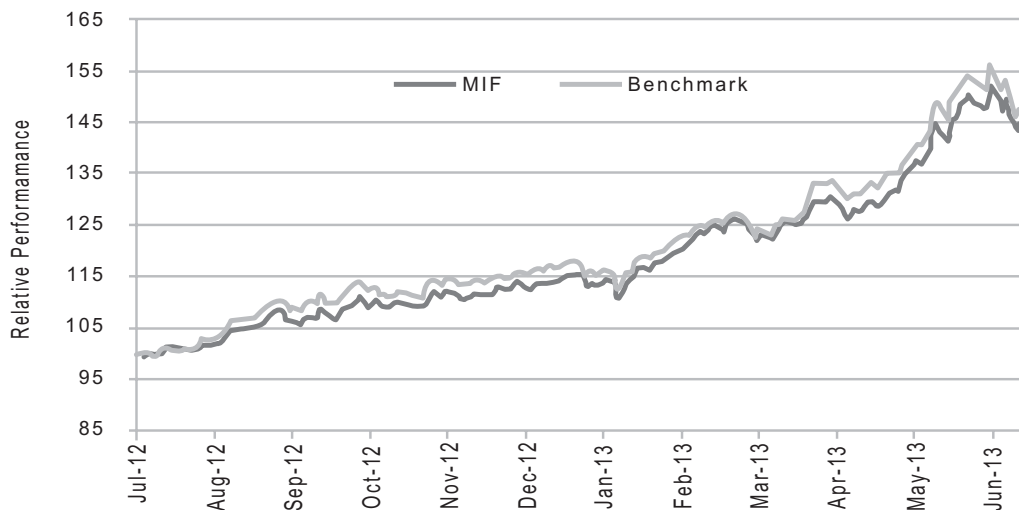


### Performance Review

During fiscal year 2013, Meezan Islamic Fund (MIF) provided a net of all fees and expenses return of 50.73% to its investors while KSE Meezan Index (KMI 30) appreciated by 54% to close at 36,713 pts. The KSE 100 index during the same period closed at the level of 21,006 pts, posting a 52% increase.

Meezan Islamic Fund posted a total comprehensive income of Rs. 3,190 million in the fiscal year 2013 as compared to Rs. 870 million last year. Total income comprised of realized gains and unrealized gain on investments of Rs. 2,157 million and Rs. 506 million respectively. Dividend income contributed Rs. 457 million to the income, while profit on savings account at banks amounted to Rs. 31 million. After accounting for expenses of Rs. 244 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 286 million, the Fund posted a net profit of Rs. 3,204 million. The net assets of the Fund as at June 30, 2013 were Rs. 9,476 million as compared to Rs. 5,343 million at the end of year.

	<u>MIF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2012 -Rs. (Dividend adjusted)	41.41	23,776
Net Asset Value (NAV) as on June 30, 2013 -Rs.	62.42	36,713
Return During the Period	50.73%	54.41%



### Charity Statement

The Fund purifies the dividend earned by setting aside from its income an amount payable by the Management Company out of the income of the Trust to a charitable / welfare organization, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2013 an amount of Rs. 8.90 million was accrued as charity payable.

### Distributions

The Board of Directors in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 17.5 per unit (35%) out of the profits of the Fund for the year ended June 30, 2013.

### Fund Ranking

JCR-VIS Credit Rating Company has assigned the MFR-4 Star and MFR-3 Star, short term and long mutual fund ranking to Meezan Islamic Fund.

### Breakdown of unit holdings by size:

(As on June 30, 2013)

Range (Units)	No. of investors
1 - 9,999	3,869
10,000 - 49,999	1383
50,000 - 99,999	199
100,000 - 499,999	121
500,000 and above	31
Total	5,603



**Meezan Bank**  
The Premier Islamic Bank

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

August 20, 2013/ Shawwal 12, 1434

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

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

- i. We have reviewed and approved the modes of investments of MIF in light of *Shari'ah* requirements. Following is the list of the top investments of MIF as on June 30, 2013 and their evaluation according to the screening criteria established by us. (December 31, 2012 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non- <i>Shari'ah</i> 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)
DG Khan Cement Co Ltd	Cement Manufacturer	23.93%	28.79%	4.16%	67%	(12.40)	54.58
Engro Foods	Food producers	32.25%	12.21%	0.21%	71.66%	(7.68)	98.14
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	25.41%	19.08%	1.21%	60%	(21.62)	117.14
Lucky Cement	Cement Manufacturer	6.51%	0.00%	0.00%	93%	(26.30)	151.54
	(i)	(ii)*	(iii)	(iv)	(v)	(vi)	

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



Company Name	Nature of Business	Debt to Assets (<37%)	% of Non-Shari'ah Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.12%	3.74%	72.44%	(45.41)	437.54
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.12%	32%	4.88%	34.85%	45.09	176.79
Pakistan State Oil Company Limited	Distribution of Oil & Gas	15.92%	0.00%	0.41%	39.86%	(294.79)	232.21
Packages Ltd	General Industries	25.81%	19.62%	2.98%	45.15%	118.85	151.16
The Hub Power Co. Ltd	Electricity	33.17%	0%	0%	36.66%	(30.89)	45.24
Oil and Gas Development Co.	Distribution of Oil & Gas*	0.00%	32.55%	3.84%	35.89%	37.05	192.61

\* All interest based debts.

\*\* 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.

- ii. On the basis of information provided by the management, all operations of MIF for the year ended June 30, 2013 have been in compliance with the *Shari'ah* principles.

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

During the year a provision of Rupees 8.419 million was created and an amount of Rupees 5.92 million was disbursed.

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

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





**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcPakistan.com  
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, 2013 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 11, 2013



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Limited (Formerly Karachi Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

---

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 23, 2013



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

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited), where the Fund is listed.

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

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

Further, Listing Regulations notified by the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

**Date: 23 August 2013**

**Karachi**

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

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



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

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

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Islamic Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *Emphasis of Matter*

We draw attention to note 11 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not modified in respect of the aforementioned matter.

### *Other Matters*


The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of Chartered Accountants, who vide their report dated 19 October 2012, addressed to the Unitholders, had expressed an unmodified opinion thereon.

### *Report on Other Legal and Regulatory Requirements*

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

**Date: 23 August 2013**

**Karachi**

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

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


# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Assets</b>			
Balances with banks	4	786,424	185,660
Investments	5	8,878,719	5,163,955
Receivable against sale of investments		-	2,307
Dividend receivable		7,849	10,212
Deposits and other receivables	6	22,411	12,646
<b>Total assets</b>		<b>9,695,403</b>	<b>5,374,780</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	32,341	15,155
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	879	612
Payable to Meezan Bank Limited (MBL)		329	67
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	6,686	4,599
Payable on redemption and conversion of units		26,412	2,128
Payable against purchase of investments		99,386	-
Accrued expenses and other liabilities	10	53,057	9,060
<b>Total liabilities</b>		<b>219,090</b>	<b>31,621</b>
<b>Net assets</b>		<b>9,476,313</b>	<b>5,343,159</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund (as per statement attached)</b>		<b>9,476,313</b>	<b>5,343,159</b>
<b>Number of units</b>			
<b>Number of units in issue</b>	12	<b>151,821,956</b>	<b>107,597,536</b>
<b>Rupees</b>			
<b>Net assets value per unit</b>		<b>62.42</b>	<b>49.66</b>

The annexed notes 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**


# INCOME STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Income</b>			
Net realised gain on sale of investments		2,156,536	766,633
Dividend income		456,951	318,720
Profit on saving accounts with banks - net	13	30,849	34,336
Other income		10,806	4,047
		<b>2,655,142</b>	<b>1,123,736</b>
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)		536,167	117,085
Impairment loss on 'available for sale' investments	5.2.2	(29,825)	(87,089)
		<b>506,342</b>	<b>29,996</b>
<b>Total income</b>		<b>3,161,484</b>	<b>1,153,732</b>
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7.1	140,759	96,812
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	24,026	15,490
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	8,038	5,843
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	6,686	4,599
Auditors' remuneration	14	605	635
Charity expense		8,419	5,521
Fees and subscription		40	40
Legal and professional charges		195	186
Securities transaction costs		10,737	5,679
Bank and settlement charges		2,903	524
Provision for Workers' Welfare Fund (WWF)	11	40,590	-
Printing expenses		700	715
<b>Total expenses</b>		<b>243,698</b>	<b>136,044</b>
<b>Net income from operating activities</b>		<b>2,917,786</b>	<b>1,017,688</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (net)		286,478	(2,867)
<b>Net income for the year before taxation</b>		<b>3,204,264</b>	<b>1,014,821</b>
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<b>3,204,264</b>	<b>1,014,821</b>
<b>Other comprehensive income for the year</b>			
<b>Item can be reclassified income statement in subsequent periods</b>			
Net unrealised diminution on re-measurement of investments classified as 'available for sale'	5.2.3	(23,087)	(146,447)
<b>Total comprehensive income for the year</b>		<b>3,181,177</b>	<b>868,374</b>

The annexed notes 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

# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in '000)	2012
Undistributed income / Accumulated (loss) brought forward		
- Realised	<b>(67,617)</b>	(255,167)
- Unrealised	<b>117,085</b>	159,758
	<b>49,468</b>	(95,409)
Final distribution on July 9, 2012 for the year ended June 30, 2012		
- bonus units @ 16.5% (Rs. 8.25 per unit) (June 30, 2011 @ Rs 10 per unit)	<b>(886,753)</b>	(871,260)
- cash dividend @ 16.5% (Rs. 8.25 per unit) (June 30, 2011 @ Rs 10 per unit)	<b>(927)</b>	(808)
Total distribution	<b>(887,680)</b>	(872,068)
Net income for the year	<b>3,204,264</b>	1,014,821
Element of income and capital gains included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)	<b>8,386</b>	2,124
Undistributed income carried forward	<b>2,374,438</b>	49,468
Undistributed income carried forward		
- Realised	<b>1,838,271</b>	(67,617)
- Unrealised	<b>536,167</b>	117,085
	<b>2,374,438</b>	49,468
The annexed notes 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 UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in '000)	2012
Net assets at beginning of the year	5,343,159	4,497,085
Issue of 80,480,405 (2012 : 34,223,636) units	<b>4,273,821</b>	1,549,279
Redemption of 57,669,961 (2012: 34,791,739) units	<b>(3,034,439)</b>	(1,573,638)
	<b>1,239,382</b>	(24,359)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	<b>(286,478)</b>	2,867
Issue of 21,413,976 bonus units for the year ended June 30, 2012 (June 30, 2011: 20,958,864 bonus units)	<b>886,753</b>	871,260
Net realised gain on sale of investments	<b>2,156,536</b>	766,633
Unrealised appreciation / (diminution) in the value of investments (net)	<b>483,255</b>	(116,451)
Total other comprehensive income for the year less distribution	<b>541,386</b>	218,192
Final distribution on July 9, 2012 for the year ended June 30, 2012		
- Issue of 21,413,976 bonus units for the year ended June 30, 2012 (June 30, 2011: 20,958,864 bonus units)	<b>(886,753)</b>	(871,260)
- Cash distribution	<b>(927)</b>	(808)
Net income for the year less distribution	<b>2,293,497</b>	(3,694)
Net assets at end of the year	<b>9,476,313</b>	5,343,159
	<b>(Rupees)</b>	
Net assets value per unit at beginning of the year	<b>49.66</b>	51.57
Net assets value per unit at end of the year	<b>62.42</b>	49.66

The annexed notes 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, 2013

	2013 (Rupees in '000)	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	3,204,264	1,014,821
<b>Adjustments for:</b>		
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)	(536,167)	(117,085)
Impairment loss on 'available for sale' investments	29,825	87,089
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(286,478)	2,867
	2,411,444	987,692
<b>(Increase) / decrease in assets</b>		
Investments (net)	(3,231,509)	(1,348,026)
Receivable against sale of investments	2,307	(2,307)
Dividend receivable	2,363	11,984
Deposits and other receivables	(9,765)	30,118
	(3,236,604)	(1,308,231)
<b>(Decrease) / increase in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	17,186	5,631
Payable to Central Depository Company of Pakistan Limited - Trustee	267	144
Payable to Meezan Bank Limited	262	(367)
Payable to Securities and Exchange Commission of Pakistan	2,087	536
Payable against purchase of investments	99,386	(54,536)
Accrued expenses and other liabilities	43,997	(709)
	163,185	(49,301)
<b>Net cash (used in) operating activities</b>	(661,975)	(369,840)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units	4,273,821	1,549,279
Dividend paid	(927)	(808)
Payment against redemption of units	(3,010,155)	(1,582,137)
<b>Net cash inflow from / (used in) financing activities</b>	1,262,739	(33,666)
Net increase / (decrease) in cash and cash equivalents during the year	600,764	(403,506)
Cash and cash equivalents at beginning of the year	185,660	589,166
Cash and cash equivalents at end of the year	4 786,424	185,660

The annexed notes 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 THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2013

### 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.
- 1.3** The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Management Company of the Fund has been given a quality rating of AM2 by JCR-VIS Credit Rating Company Limited. The Fund is ranked at 'MFR 4-Star' for one year and 'MFR 3-Star' for two and three years weighted average performance ranking by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

### 2. BASIS OF PRESENTATION

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

#### 2.1 Statement of compliance

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and judgements

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

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Impairment of financial instruments (note 3.1.6); and
- c) Recognition of provision for Workers' Welfare Fund (note 11)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Assets and Liabilities or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Financial instruments

##### 3.1.1 Classification

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

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

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

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

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

##### b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them up to maturity.

### **c) Loans and receivables**

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

### **d) Available for sale**

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

## **3.1.2 Regular way contracts**

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

## **3.1.3 Recognition**

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

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

## **3.1.4 Measurement**

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

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

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

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

## **3.1.5 Fair value measurement principles**

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

### 3.1.6 Impairment

Impairment loss on investment other than 'available for sale' is recognised in the Income Statement whenever the carrying amount of investment exceeds its recoverable amount.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, 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 transferred from other comprehensive income and recognised in the Income Statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in other comprehensive income.

### 3.1.7 Derecognition

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

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

### 3.1.8 Offsetting of financial instruments

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

## 3.2 Unitholders' fund

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

## 3.3 Issue and redemption of units

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

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



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

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

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

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

### **3.5 Provisions**

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

### **3.6 Net assets value per unit**

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

### **3.7 Taxation**

#### **Current**

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current year as the Fund intends to avail this exemption.

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.

#### **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.

However, the Fund intends to avail the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

### 3.8 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (v) Profit on saving accounts with banks are recorded on effective yield method.

### 3.9 Expenses

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

### 3.10 Earnings per unit

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

### 3.11 Cash and cash equivalents

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

### 3.12 Distribution

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

	Note	2013 (Rupees in '000)	2012
<b>4. BALANCES WITH BANKS</b>			
On current accounts		<b>8,466</b>	2,385
On saving accounts	4.1	<b>777,958</b>	183,275
		<b><u>786,424</u></b>	<u>185,660</u>
<b>4.1</b>	The balances in saving accounts have an expected profit ranging from 5% to 9.40% per annum (2012 : 5.04% to 12.10% per annum) during the year.		
<b>5. INVESTMENTS</b>			
Investments - 'at fair value through profit or loss'	5.1	<b>4,670,683</b>	4,302,165
Investments - 'available for sale'	5.2	<b>4,208,036</b>	861,790
		<b><u>8,878,719</u></b>	<u>5,163,955</u>
<b>5.1 Investments - 'at fair value through profit or loss'</b>			
Held for trading	5.1.1	<b>4,462,743</b>	3,992,711
Investments - 'at fair value through profit or loss upon initial recognition'	5.1.4	<b>207,940</b>	309,454
		<b><u>4,670,683</u></b>	<u>4,302,165</u>

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

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investments
									Number of Shares
<b>Automobile and parts</b>									
Agriautos Industries Limited (note 5.1.2)	609,200	20,000	-	32,500	596,700	48,549	44,830	(3,719)	0.50
Indus Motor Company Limited	405,944	-	-	21,000	384,944	94,342	119,718	25,376	1.35
Millat Tractors Company Limited	-	137,600	10,378	147,978	-	-	-	-	-
Pakistan Suzuki Motor Company Limited	71,822	178,500	-	30,000	220,322	22,370	32,766	10,396	0.37
									<b>2.22</b>
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	2,900,000	2,663,000	-	2,056,751	3,506,249	138,493	131,625	(6,868)	1.48
Fauji Fertilizer Company Limited	4,620,000	3,257,200	-	2,791,341	5,085,859	577,255	546,374	(30,881)	6.16
ICI Pakistan Limited	-	38,000	-	25,000	13,000	2,158	2,164	6	0.02
									<b>7.66</b>
<b>Construction and materials</b>									
Attock Cement Pakistan Limited	594	-	89	-	683	48	90	42	-
DG Khan Cement Company Limited	4,415,634	5,266,500	-	9,590,412	91,722	4,402	7,676	3,274	0.09
Lucky Cement Limited	2,533,841	1,217,200	-	3,543,862	207,179	38,566	43,450	4,884	0.49
									<b>0.58</b>
<b>Fixed line telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	9,850,000	13,332,500	-	12,444,963	10,737,537	200,484	238,266	37,782	<b>2.68</b>
<b>General industrials</b>									
Thal Limited (note 5.1.2)	343,352	30,000	28,761	206,908	195,205	16,850	24,887	8,037	0.28
Packages Limited	1,400,000	975,500	-	886,721	1,488,779	219,865	332,549	112,684	3.75
Tri-Pack Films Limited	379,300	-	-	161,000	218,300	45,841	44,097	(1,744)	0.50
									<b>4.53</b>
<b>Oil and gas</b>									
Attock Refinery Limited	-	592,100	-	591,700	400	75	69	(6)	-
Attock Petroleum Limited	-	89,400	-	69,334	20,066	9,828	11,259	1,431	0.13
Oil and Gas Development Company Limited (note 5.1.3)	3,430,000	2,744,400	-	4,884,206	1,290,194	283,732	295,132	11,400	3.32
Pakistan Oilfields Limited	1,305,859	844,900	-	100,712	2,050,047	819,995	1,019,632	199,637	11.49
Pakistan Petroleum Limited	2,472,000	2,414,000	722,700	2,082,125	3,526,575	617,802	746,153	128,351	8.40
National Refinery Limited	55,305	-	-	53,800	1,505	348	362	14	-
Pakistan State Oil Company Limited	684,295	638,200	348,801	1,500,994	170,302	52,983	54,561	1,578	0.61
									<b>23.95</b>
<b>Food producers</b>									
Engro Foods Limited	2,049,784	6,261,000	-	5,918,763	2,392,021	349,642	336,725	(12,917)	3.79
Unilever Pakistan Limited (note 5.1.2)	994	6,452	-	7,446	-	-	-	-	-
									<b>3.79</b>
<b>Personal Goods</b>									
Nishat Mills Limited	-	3,844,500	-	8,000	3,836,500	338,956	361,437	22,481	<b>4.07</b>
<b>Pharma and Bio Tech</b>									
GlaxoSmithkline Pakistan Limited	-	48,500	-	48,500	-	-	-	-	-
<b>Electricity</b>									
Hub Power Company Limited	13,010,000	4,861,000	-	17,178,784	692,216	41,357	42,671	1,314	0.48
Kohinoor Energy Limited	-	700,000	-	-	700,000	23,800	26,250	2,450	0.30
									<b>0.78</b>
<b>Grand total</b>						<b>3,947,741</b>	<b>4,462,743</b>	<b>515,002</b>	
<b>Total cost of investments</b>							<b>3,871,237</b>		

5.1.2 All shares have a nominal value of Rs 10 each except for the shares of Agriautos Industries Limited and Thal Limited which have a face value of Rs 5 each and Unilever Pakistan Limited which has a face value of Rs 50 each.

5.1.3 439,500 shares (2012: 439,500 shares) of Oil and Gas Development Company Limited, having market value of Rs 100.536 million (2012: Rs 70.513 million) as at June 30, 2013, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

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

Shares of listed companies and units of a fund

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investments
									Number of Shares
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	6,975,079	-	767,363	575,000	7,167,442	186,738	207,856	21,118	2.34
<b>Open-end mutual fund</b>									
Al Meezan Mutual Fund (AMMF) (an associate of the Fund)	8,480,190	-	1,586,565	10,066,755	-	-	-	-	-
<b>General industrials</b>									
Packages Limited	374	-	-	-	374	37	84	47	-
<b>Grand total</b>						<b>186,775</b>	<b>207,940</b>	<b>21,165</b>	
<b>Total cost of investments</b>							<b>72,701</b>		

## 5.2 Investments categorised as 'available for sale'

### 5.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investments
	Number of Shares				Rupees in '000			%	
<b>Automobile and parts</b>									
Indus Motor Company Limited	153,068	-	-	50,000	103,068	23,627	32,054	8,427	0.36
Millat Tractors Company Limited	25,985	-	-	25,985	-	-	-	-	-
Pakistan Suzuki Motor Company Limited	57,105	-	-	33,000	24,105	1,759	3,585	1,826	0.04
									<b>0.40</b>
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	5,383,690	-	230,690	4,898,500	715,880	8,899	20,761	11,862	0.23
BankIslami Pakistan Limited	500	-	-	-	500	2	3	1	-
									<b>0.23</b>
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	186,249	-	-	186,249	-	-	-	-	-
Fauji Fertilizer Company Limited	70,659	-	-	70,659	-	-	-	-	-
ICI Pakistan Limited	1,364,508	-	-	1,304,533	59,975	7,795	9,982	2,187	0.11
									<b>0.11</b>
<b>Construction and materials</b>									
Attock Cement Pakistan Limited	234,131	-	35,119	132,900	136,350	7,718	17,997	10,279	0.20
Akzo Nobel Pakistan Limited (5.2.2)	-	1,372,300	-	1,372,300	-	-	-	-	-
DG Khan Cement Company Limited	15,588	7,125,000	-	15,588	7,125,000	593,439	596,291	2,852	6.73
Lucky Cement Limited	36,938	3,100,000	-	36,938	3,100,000	586,687	650,132	63,445	7.33
									<b>14.26</b>
<b>Electricity</b>									
Hub Power Company Limited	124,716	15,000,000	-	124,716	15,000,000	949,610	924,750	(24,860)	10.42
<b>Fixed line telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	19,537	-	-	19,537	-	-	-	-	-
<b>General industrials</b>									
Packages Limited	32,779	250,000	-	32,779	250,000	60,051	55,843	(4,208)	0.63
Thal Limited (note 5.1.2)	28	-	2	30	-	-	-	-	-
Tri-Pack Films Limited	10	-	-	-	10	1	2	1	-
									<b>0.63</b>
<b>Oil and gas</b>									
National Refinery Limited	135,751	-	-	134,600	1,151	281	277	(4)	-
Oil and Gas Development Company Limited (note 5.1.3)	27,194	3,600,000	-	27,194	3,600,000	882,230	823,500	(58,730)	9.27
Pakistan Oilfields Limited	44,188	-	-	44,188	-	-	-	-	-
Pakistan Petroleum Limited	79,500	-	19,875	99,375	-	-	-	-	-
Attock Petroleum Limited	69,366	-	-	69,366	-	-	-	-	-
Pakistan State Oil Company Limited	991,185	2,451,000	418,321	1,434,506	2,426,000	723,477	777,242	53,765	8.75
									<b>18.02</b>
<b>Food producers</b>									
Engro Foods Limited	-	2,100,000	-	-	2,100,000	299,840	295,617	(4,223)	3.33
<b>Grand total</b>						<b>4,145,416</b>	<b>4,208,036</b>	<b>62,620</b>	
<b>Total cost of investments</b>							<b>4,145,416</b>		

5.2.2 During the year, an impairment loss amounting to Rs. 29.825 million was recognized on Akzo Nobel Pakistan Limited. There is no further impairment loss recognized as a result of impairment testing as at June 30, 2013.

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

	2013	2012
	(Rupees in '000)	
Market value of investment	4,208,036	861,790
Less: Cost of investments	4,145,416	863,172
	<b>62,620</b>	<b>(1,382)</b>
Less: Net unrealised dimunition on re-measurement of investments classified as 'available for sale' at beginning of the year (net of impairment)	115,532	232,154
	<b>(52,912)</b>	<b>(233,536)</b>
Impairment loss on listed equity securities classified as 'available for sale' - transferred to income statement (note - 5.2.2)	29,825	87,089
	<b>(23,087)</b>	<b>(146,447)</b>

## 6. DEPOSITS AND OTHER RECEIVABLES

2013  
2012  
(Rupees in '000)

Deposits	2,600	2,600
Profit receivable on saving accounts with banks	19,811	10,046
	<u>22,411</u>	<u>12,646</u>

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

	Note	2013	2012
Management fee	7.1	15,667	8,727
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	4,006	1,396
Sales load		9,137	4,905
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	3,526	122
Certificate charges		5	5
		<u>32,341</u>	<u>15,155</u>

**7.1** Under the provisions of NBFC Regulations, 2008, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of two percent per annum for the year ended June 30, 2013.

**7.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011 effective from July 01, 2011.

**7.3** With effect from June 13, 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company and sales load through Finance Act, 2013.

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

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

The remuneration of the Trustee for the year ended June 30, 2013 and 2012 has been calculated as per the following applicable tariff:

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

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

This represents annual fee at the rate of 0.095 percent of the average annual net assets payable to Securities and Exchange Commission of Pakistan under regulation 62 read with Schedule II of NBFC Regulations.

<b>10. ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>(Rupees in '000)</b>	
Auditors' remuneration		<b>432</b>	432
Charity payable	10.1	<b>10,685</b>	7,750
Printing expenses payable		<b>596</b>	719
Withholding tax payable		<b>687</b>	-
Workers' Welfare Fund payable		<b>40,590</b>	-
Other payable		<b>2</b>	-
Zakat payable		<b>65</b>	159
		<b>53,057</b>	9,060

- 10.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 10.685 million (2012: Rs 7.750 million) is outstanding in this regard after making charity payments of Rs 5.920 million (2012: Rs 6.017 million) to renowned charitable institutions. None of the directors of the Management Company were interested in any of donees.

## **11. CONTINGENCIES AND COMMITMENTS**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CIS) / mutual funds whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, during the year ended June 30, 2010, a constitutional petition has been filed by certain CISs through their Trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Prior to 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew its notice of demand which it had earlier issued to one of the funds managed by Al Meezan Investment Management Limited for collection of WWF.

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

The Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has not recognised WWF charge up to December 31, 2012 amounting to Rs 89.30 million which includes Rs 23.62 million pertaining to the current year. Had the same been made, the net asset value per unit of the Fund would have been lower by Rs. 0.61 (0.98%) per unit.

However, the management as a matter of abundant caution has recognised WWF charge from January 1, 2013 to June 30, 2013 amounting to Rs. 40.59 million.

There were no other contingencies and commitments outstanding as at June 30, 2013.

**2013                      2012**  
**(Nuber of units)**

**12. NUMBER OF UNITS IN ISSUE**

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

Total units in issue at the beginning of the year	<b>107,597,536</b>	87,206,775
Add: units issued during the year	<b>80,480,405</b>	34,223,636
Add: bonus units issued during the year	<b>21,413,976</b>	20,958,864
Less: units redeemed during the year	<b>(57,669,961)</b>	(34,791,739)
Total units in issue at the end of the year	<b><u>151,821,956</u></b>	<u>107,597,536</u>

**12.2 The Fund may issue the following classes of units:**

<b>Class</b>	<b>Description</b>
A	Units that shall be charged with no sales load.
B	Units that shall be charged with front-end load.
C	Units that shall be charged with back-end load.
D	Units that shall be charged with contingent load.

**12.3 The Management Company of the Fund may issue the following types of units:**

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unitholders shall also be the growth units.
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund

**13. PROFIT ON SAVING ACCOUNTS WITH BANKS**

This includes reversal of profit accrual amounting to Rs. 1.2 million.

**14. AUDITORS' REMUNERATION**

Audit fee	<b>322</b>	322
Half yearly review	<b>125</b>	125
Other certifications and services	<b>110</b>	110
Out of pocket expenses	<b>48</b>	78
	<b><u>605</u></b>	<u>635</u>

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

The connected persons include Al Meezan Investment Management Limited (Al Meezan) being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Management Company and Al Meezan Mutual Fund, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - II, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Balanced Fund, Meezan Financial Planning Fund of Funds, KSE Meezan Index Fund being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Gratuity Fund and Al Meezan Investment Management Limited - Staff Provident Fund.

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

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

Details of transactions with connected persons and balances with them for the year ended June 30, 2013 and as of that date along with comparatives are as follows:



	2013 (Rupees in '000)	2012
<b>AI Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	<u>15,667</u>	<u>8,727</u>
Sindh Sales Tax and Federal Excise Duty on management fee payable	<u>4,006</u>	<u>1,396</u>
Sales load payable	<u>9,137</u>	<u>4,905</u>
Sindh Sales Tax and Federal Excise Duty on sales load payable	<u>3,526</u>	<u>122</u>
Certificate charges payable	<u>5</u>	<u>5</u>
<b>AI Meezan Mutual Fund</b>		
Investment in Nil units (June 30, 2012 : 8,480,190 units)	<u>-</u>	<u>107,698</u>
<b>Meezan Bank Limited</b>		
Bank balance	<u>53,339</u>	<u>21,176</u>
Sales load payable	<u>329</u>	<u>67</u>
Investment in 7,883,322 shares (June 30, 2012: 12,358,769 shares)	<u>228,617</u>	<u>357,415</u>
Investment of 13,383,465 units (June 30, 2012: 11,160,074 units)	<u>835,396</u>	<u>554,209</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	<u>864</u>	<u>519</u>
CDS Charges payable	<u>15</u>	<u>93</u>
Deposits	<u>100</u>	<u>100</u>
<b>AI Meezan Investment Management Limited - Staff Provident Fund</b>		
Investment in Nil units (June 30, 2012 : 57,954 units)	<u>-</u>	<u>2,878</u>
<b>AI Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Investment in 75,109 units (June 30, 2012 : 62,631 units)	<u>4,688</u>	<u>3,110</u>
<b>Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan</b>		
Investment in 2,958,967 units (June 30, 2012: Nil units)	<u>184,699</u>	<u>-</u>
<b>Meezan Financial Planning Fund of Funds - Conservative Allocation Plan</b>		
Investment in 1,035,037 units (June 30, 2012: Nil units)	<u>64,607</u>	<u>-</u>
<b>Meezan Financial Planning Fund of Funds - Moderate Allocation Plan</b>		
Investment in 1,200,768 units (June 30, 2012: Nil units)	<u>74,952</u>	<u>-</u>
<b>Directors and executives of the Management Company</b>		
Investment of 2,750,198 units (June 30, 2012: 3,224,438 units)	<u>171,667</u>	<u>160,126</u>

	For the year ended June 30	
	2013	2012
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year	140,759	96,812
Sindh Sales Tax and Federal Excise Duty on management fee	24,026	15,490
Bonus units issued: Nil units (2012: 272,484 units)	-	11,327
Disposal of units: Nil units (2012: 1,405,201 units)	-	58,413
<b>Al Meezan Mutual Fund Limited</b>		
Dividend income	-	14,840
Disposal of shares: Nil shares (2012: 8,480,190 shares)	-	107,698
<b>Al Meezan Mutual Fund</b>		
Units issued: Nil units (June 30, 2012: 8,480,190 units)	-	107,698
Bonus units received: 1,586,565 units (2012 : Nil units)	16,960	-
Disposal of units: 10,066,755 units (June 30, 2012: Nil units)	113,855	-
<b>Meezan Bank Limited</b>		
Profit on saving accounts	877	564
Bonus units issued: 2,223,391 units (2012: 2,164,063 units)	92,071	89,960
998,053 bonus shares received (2012: 1,422,524 shares)	-	-
Nil shares purchased during the year (June 30, 2012: 750,000 shares)	-	14,625
5,473,500 shares disposed off during the year (2012: 802,011 shares)	154,699	19,645
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	8,038	5,843
CDS charges	203	161
<b>Al Meezan Investment Management Limited - Staff Provident Fund</b>		
Bonus units issued: 11,546 units (2012: 11,238 units)	478	467
Disposal of units: 69,500 units (2012: Nil units)	4,436	-
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Bonus units issued: 12,478 units (2012: 12,145 units)	517	505
<b>Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan</b>		
Units Issued: 3,412,861 units (June 30, 2012: Nil units)	198,781	-
Disposal of units: 453,894 units (June 30, 2012: Nil units)	27,127	-

	For the year ended June 30	
	2013	2012
	(Rupees in '000)	
<b>Meezan Financial Planning Fund of Funds - Conservative Allocation Plan</b>		
Units Issued: 1,209,988 units (June 30, 2012: Nil units)	<u>70,065</u>	-
Disposal of units: 174,951 units (June 30, 2012: Nil units)	<u>10,957</u>	-
<b>Meezan Financial Planning Fund of Funds - Moderate Allocation Plan</b>		
Units Issued: 1,461,179 units (June 30, 2012: Nil units)	<u>86,273</u>	-
Disposal of units: 260,411 units (June 30, 2012: Nil units)	<u>15,958</u>	-
<b>Directors and executives of the Management Company</b>		
Units issued: 251,426 units (2012: 704,525 units)	<u>13,946</u>	31,173
Bonus units issued: 652,974 units (2012: 526,864 units)	<u>27,040</u>	21,902
Disposal of units: 1,432,955 units (2012: 197,125 units)	<u>69,555</u>	7,322

## 16. FINANCIAL INSTRUMENTS BY CATEGORY

	2013				
	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
	(Rupees in '000)				
<b>On balance sheet - financial assets</b>					
Balances with banks	786,424	-	-	-	786,424
Investments	-	4,670,683	4,208,036	-	8,878,719
Dividend receivable	7,849	-	-	-	7,849
Deposits and other receivables	22,411	-	-	-	22,411
	<u>816,684</u>	<u>4,670,683</u>	<u>4,208,036</u>	<u>-</u>	<u>9,695,403</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	32,341	32,341
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	879	879
Payable to Meezan Bank Limited	-	-	-	329	329
Payable against purchase of investments	-	-	-	99,386	99,386
Payable on redemption and conversion of units	-	-	-	26,412	26,412
Accrued expenses and other liabilities	-	-	-	11,715	11,715
	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,062</u>	<u>171,062</u>

	2012				
	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
	----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>					
Balances with banks	185,660	-	-	-	185,660
Investments	-	4,302,165	861,790	-	5,163,955
Receivable against sale of investments	2,307	-	-	-	2,307
Dividend receivable	10,212	-	-	-	10,212
Deposits and other receivables	12,646	-	-	-	12,646
	<u>210,825</u>	<u>4,302,165</u>	<u>861,790</u>	<u>-</u>	<u>5,374,780</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	15,155	15,155
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	612	612
Payable to Meezan Bank Limited	-	-	-	67	67
Payable on redemption and conversion of units	-	-	-	2,128	2,128
Accrued expenses and other liabilities	-	-	-	8,901	8,901
	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,863</u>	<u>26,863</u>

## 17. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk, 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.

Risks managed and measured by the Fund are explained below:

### 17.1 Credit risk

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

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

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

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

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

	<b>2013</b>	2012
	<b>(Rupees in '000)</b>	
<b>Financial assets</b>		
Balances with banks	<b>786,424</b>	185,660
Receivable against sale of investments	-	2,307
Dividend receivable	<b>7,849</b>	10,212
Deposits and other receivables	<b>22,411</b>	12,646
	<b><u>816,684</u></b>	<u>210,825</u>

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

	<b>2013</b>	2012
	..... (%) .....	
AAA	<b>0.71</b>	0.54
AA+	<b>44.38</b>	87.08
AA	<b>6.96</b>	0.49
AA-	-	11.41
A	<b>47.95</b>	0.48
	<b><u>100.00</u></b>	<u>100.00</u>

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

None of the financial assets were considered to be past due or impaired as on June 30, 2013.

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

## 17.2. Liquidity risk

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

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

In accordance with regulation 58(1)(k) of the NBFC Regulations 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 1,421.447 million as on June 30, 2013 (2012: Rs 801.474 million). However, no such borrowing has been obtained during the year.

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

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2013 along with comparative is tabulated below:

	2013 Maturity upto				Total
	Three months	six months	one year	More than one year	
	----- (Rupees in '000) -----				
Payable to Al Meezan Investment Management Limited - Management Company	32,341	-	-	-	32,341
Payable to Central Depository Company of Pakistan Limited - Trustee	879	-	-	-	879
Payable to Meezan Bank Limited	329	-	-	-	329
Payable on redemption and conversion of units	26,412	-	-	-	26,412
Payable against purchase of investments	99,386	-	-	-	99,386
Accrued expenses and other liabilities	11,715	-	-	-	11,715
	<u>171,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,062</u>
	----- (Rupees in '000) -----				
	2012 Maturity upto				Total
	Three months	six months	one year	More than one year	
	----- (Rupees in '000) -----				
Payable to Al Meezan Investment Management Limited - Management Company	15,155	-	-	-	15,155
Payable to Central Depository Company of Pakistan Limited - Trustee	612	-	-	-	612
Payable to Meezan Bank Limited	67	-	-	-	67
Payable on redemption and conversion of units	2,128	-	-	-	2,128
Payable against purchase of investments	-	-	-	-	-
Accrued expenses and other liabilities	8,901	-	-	-	8,901
	<u>26,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,863</u>

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

## 17.3 Market risk

### 17.3.1 Price risk

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

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

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

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these financial statements. As at June 30, 2013, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI 30). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / (decrease) by Rs 88.79 million (2012: Rs 51.64 million) if the prices of equity vary due to increase / (decrease) in KMI 30 by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2013 and the historical correlation of the securities comprising the portfolio to the KMI. The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### 17.3.2 Interest rate risk

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

#### *Cash flow interest rate risk*

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

During the year ended June 30, 2013, the net income would have increased / (decreased) by Rs 7.780 million (2012: Rs 1.833 million) had the interest rates on saving accounts with banks increased / (decreased) by 100 basis points.

#### *Fair value interest rate risk*

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

### 17.3.3 Currency risk

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

## 18. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

In accordance with the risk management policies stated in the note 17, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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



Assets	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets - Held for trading (Equity securities)	4,462,743	-	-	4,462,743
Financial assets 'at fair value through initial recognition'				
- Equity securities	207,940	-	-	207,940
Financial assets available for sale (Equity securities)	<u>4,208,036</u>	<u>-</u>	<u>-</u>	<u>4,208,036</u>
	<u>8,878,719</u>	<u>-</u>	<u>-</u>	<u>8,878,719</u>

The following table presents assets that are measured at fair value as at June 30, 2012:

Financial assets - Held for trading (Equity securities)	3,992,711	-	-	3,992,711
Financial assets 'at fair value through initial recognition'				
- Equity securities	309,454	-	-	309,454
Financial assets available for sale (Equity securities)	<u>861,790</u>	<u>-</u>	<u>-</u>	<u>861,790</u>
	<u>5,163,955</u>	<u>-</u>	<u>-</u>	<u>5,163,955</u>

## 20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / (loss) to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company has distributed sufficient income of the Fund for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unitholders to avail exemption subsequent to year end (refer note 26).

	2013	2012	2011	2010
<b>21. PERFORMANCE TABLE</b>				
Net assets (Rs. '000) (ex-distribution)*	9,474,454	5,342,232	4,496,277	3,964,673
Net assets value / redemption price per unit				
as at June 30 (Rs.) (ex-distribution)*	44.92	41.41	41.57	37.17
Offer price per unit as at June 30, (Rs.) (ex-distribution)*	46.26	42.36	42.53	38.03
Highest offer price per unit (Rs.)	66.85	53.60	53.85	53.59
Lowest offer price per unit (Rs.)	43.73	40.10	38.31	37.66
Highest redemption price per unit (Rs.)	65.32	52.39	52.64	52.38
Lowest redemption price per unit (Rs.)	42.75	39.20	37.45	36.81
Distribution (%)	35.00	16.50	20.00	18.00
Date of distribution	July 8, 2013	July 9, 2012	July 7, 2011	July 7, 2010
Income distribution (Rupees in '000)	1,859	927	808	1,237
Growth distribution (Rupees in '000)	2,655,025	886,753	871,260	771,783
Total return (%)	50.74	19.46	38.74	30.87

\* The distribution for the year ended is made subsequent to the year end, therefore, is not accounted for in these financial statements as also explained in note 26.

	One Year	Two Year	Three Year	Four Year
Average annual return as at June 30, 2013	<b>50.74%</b>	34.19%	35.69%	34.47%

### 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.

## 22. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty three years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Nine years
Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Six years
Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA Level II / BBA	Four Years
Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Six years

22.2 The Fund manager of the Fund is Mr. Muhammad Asad. Other Fund being managed by the Fund manager is Meezan Tahaffuz Pension Fund.

## 23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 09, 2012	September 21, 2012	October 19, 2012	January 21, 2013	April 19, 2013	June 17, 2013
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	No	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	No	Yes	No	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes

## 24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

	<b>2013</b>
	<b>%</b>
<b>Broker's Name</b>	
1. Aba Ali Habib Securities (Private) Limited	14.09
2. Arif Habib Limited	11.90
3. Optimus Capital Management (Private) Limited	8.96
4. Fortune Securities (Private) Limited	8.74
5. Shajar Capital Pakistan (Private) Limited	8.35
6. BMA Capital Management Limited	6.30
7. KASB Securities Limited	5.71
8. Top Line Securities (Private) Limited	5.57
9. Elixir Securities Pakistan (Private) Limited	5.11
10. Foundation Securities (Private) Limited	5.06

	<b>2012</b>
	<b>%</b>
<b>Broker's Name</b>	
1. Elixir Securities Pakistan (Private) Limited	12.39
2. JS Global Capital Limited	10.21
3. KASB Securities Limited	9.54
4. BMA Capital Management Limited	7.59
5. Foundation Securities (Private) Limited	7.58
6. Top Line Securities (Private) Limited	6.62
7. AKD Securities Limited	6.48
8. Invest Capital Markets Limited	6.06
9. Optimus Capital Management (Private) Limited (Formerly Invisor Securities (Private) Limited)	4.96
10. Global Securities Pakistan Limited	4.86

### As at June 30, 2013

## 25. PATTERN OF UNITHOLDING

	<b>Number of investors</b>	<b>Investment amount</b>	<b>Percentage of total investment</b>
		<b>(Rupees in '000)</b>	<b>%</b>
Individuals	5,203	5,101,200	53.83
Associated companies / directors	9	1,324,891	13.98
Insurance companies	13	691,166	7.29
Banks / DFIs	1	12	-
Retirement funds	221	1,892,319	19.97
Public limited companies	6	46,109	0.49
Others	150	420,616	4.44
<b>Total</b>	<b>5,603</b>	<b>9,476,313</b>	<b>100.00</b>

As at June 30, 2012

	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	%
Individuals	4,162	2,695,538	50.45
Associated companies / directors	4	703,315	13.16
Insurance companies	5	376,999	7.06
Banks / DFIs	1	8	-
Retirement funds	90	1,244,995	23.30
Public limited companies	1	29,923	0.56
Others	57	292,381	5.47
Total	4,320	5,343,159	100.00

## 26. NON ADJUSTING EVENTS

The Board of Directors in its meeting held on July 8, 2013 has announced a payout @ 35% (Rs 17.5 per unit) amounting to Rs 2,655.025 million (2012: Rs 886.753 million) equivalent to 59,105,633 bonus units (2012: 21,413,976 bonus units) and cash dividend of Rs 1.859 million (2012: Rs.0.927 million). The financial statements for the year ended June 30, 2013 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ended June 30, 2014.


## 27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Management Company.

## 28. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

For Al Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoaib, CFA  
Chief Executive

  
Syed Amir Ali Zaidi  
Director

## PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

Units held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	-	0.00
Meezan Bank Limited	13,383,465	8.82
Al Meezan Investment Management Limited - Staff Gratuity Fund	75,109	0.05
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan	2,958,967	1.95
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan	1,035,037	0.68
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan	1,200,768	0.79
<b>Directors</b>		
Mr. Mazhar Sharif	25,512	0.02
Mr. Ariful Islam	380,800	0.25
Syed Amir Ali	34,830	0.02
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	2,078,374	1.37
<b>Executives</b>		
	230,682	0.15
<b>Public Limited Companies</b>		
	738,570	0.49
<b>Banks and financial institutions</b>		
	199	0.00
<b>Individuals</b>		
	81,496,690	53.68
<b>Retirement funds</b>		
	30,317,231	19.97
<b>Other corporate sector entities</b>		
	5,983,961	3.94
<b>Insurance Companies</b>		
	11,073,317	7.29
<b>Non-Profit Organisations</b>		
	808,444	0.53
	151,821,956	100



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# 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  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

AlBaraka Islamic Bank	Bank Alfalah Limited
Habib Metropolitan Bank Limited	Meezan Bank Limited
UBL Ameen	National Bank of Pakistan

## LEGAL ADVISER

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi - 75530  
Phone: (9221) 3565 7658-59 Fax: (9221) 3565 7673  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi.  
Phone: 32062891 Fax: 32552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

# REPORT OF THE FUND MANAGER

Al Meezan Mutual Fund (AMMF) is an open end equity fund investing in Shariah compliant listed equity securities.

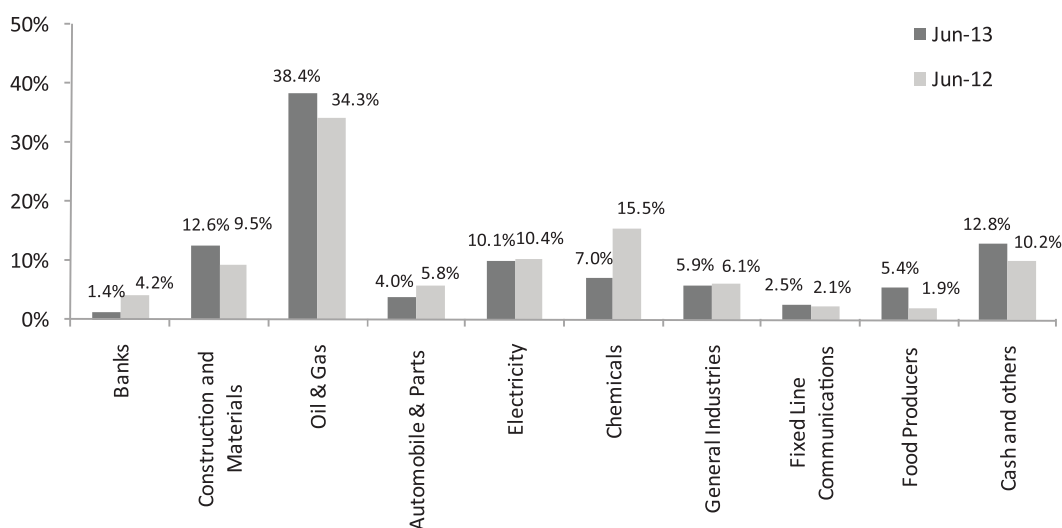
The objective of AMMF is to provide maximum total return to the shareholders from investment in "Shariah compliant" equity investments for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

## Strategy, Investment Policy and Asset Allocation

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.

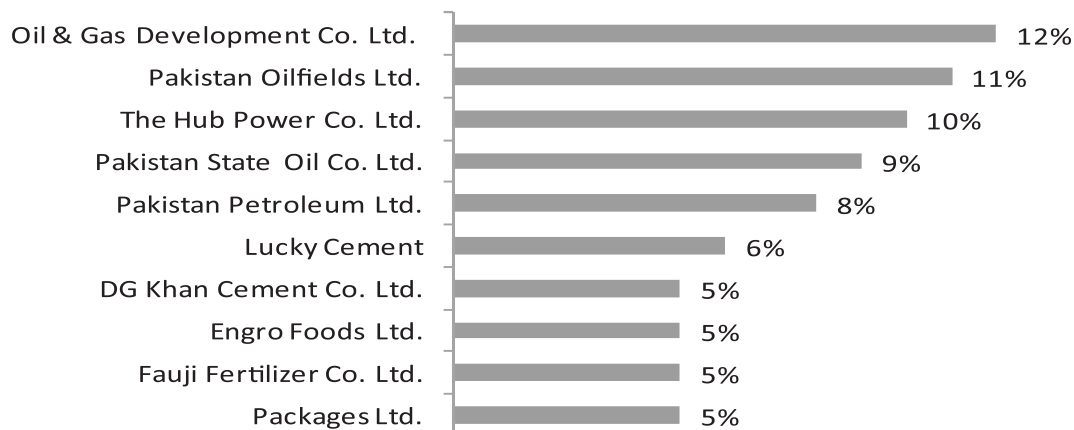
AMMF remained on average 95% invested in equities. Beginning and ending exposures were 89.90% and 92.8% respectively. Although allocation remained diversified across sectors, major holdings remain concentrated in Oil & Gas, Power sectors and Food sectors. However, it reduced exposure in Chemical sector due to weak fertilizer outlook.

## Sector Allocation for the year ended FY12 and FY13





## Top Ten Holdings



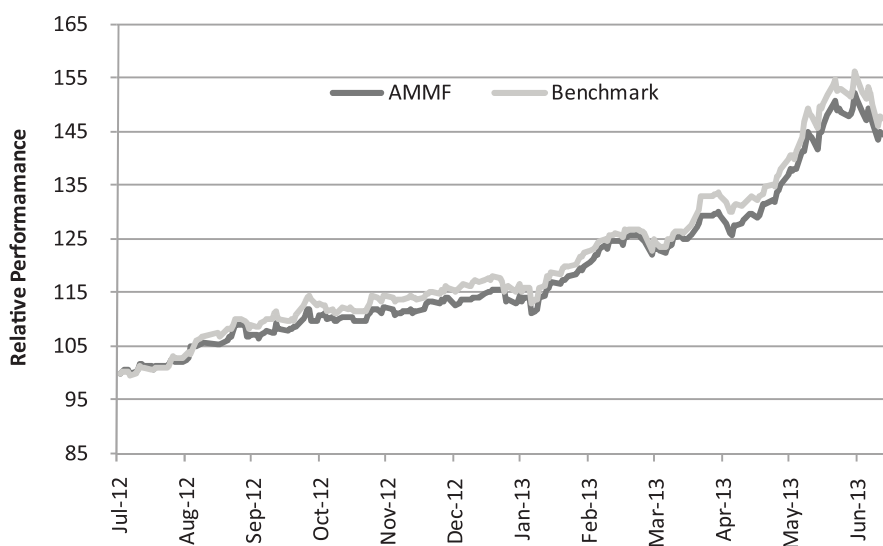
### Performance Review

During the fiscal year 2013, Al Meezan Mutual Fund Limited (AMMF) provided a return of 50.56% to its investors while the KSE Meezan Index (KMI 30) appreciated by 54.41% to close at 36,713. The KSE 100 index during the same period closed at the level of 21,006, posting a 52% increase.

The Fund during the year under consideration earned a total comprehensive income of Rs. 752.59 million, which mainly comprised of dividend income of Rs.123.18 million, realized gain on sale of investments of Rs. 437.06 million and profit on bank deposits of Rs. 8.09 million. The unrealized gain on investments for the year was Rs. 230.10 million. After accounting for expenses of Rs. 64.14 million, the net income for the period was Rs. 710.86 million.

The net assets of the fund as at the year-end were Rs. 2,190.13 million as compared to Rs. 1,680.71 million as at June 30, 2012. The net asset value per share as at June 30, 2013 was Rs. 16.09 per share as compared to Rs.12.69 (cum dividend) per share as on June 30, 2012.

	<b>AMMF (NAV)</b>	<b>KMI-30 (Index Points)</b>
Net Asset Value (NAV) as on June 30, 2012 -Rs. (Dividend Adjusted)	10.69	23,776
Net Asset Value (NAV) as on June 30, 2013- Rs.	16.09	36,713
Return During the Period	50.56%	54.41%



### Charity Statement

The Fund purifies the dividend earned by setting aside from its income an amount payable by the Management Company out of the income of the Trust to a charitable / welfare organization, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2013 an amount of Rs. 2.21 million was accrued as charity payable.

### Distributions

The Board of Directors in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 3.5 per unit (35%) out of the profits of the Fund for the year ended June 30, 2013.

### Breakdown of unit holdings by size:

(As on June 30, 2013)

Range of Units	Number of Unit Holders
Up to 10,000	1,786
Between 10,001 to 50,000	416
Between 50,001 to 100,000	83
Between 100,001 to 500,000	68
From 500,001 and above	24
<b>Total</b>	<b>2,377</b>



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

August 20, 2013/ Shawwal 12, 1434

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

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

- i. We have reviewed and approved the modes of investments of AMMF in light of *Shari'ah* requirements. Following is the list of the top investments of AMMF as on June 30, 2013 and their evaluation according to the screening criteria established by us. (December 31, 2012 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non- <i>Shari'ah</i> 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)
DG Khan Cement	Cement Manufacturer	23.93%	28.79%	4.16%	67%	(12.40)	54.58
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	25.41%	19.08%	1.21%	60%	(21.62)	117.14
Engro Foods	Food Producers	32.25%	12.21%	0.21%	71.66%	(7.68)	98.14
Hub Power Company Limited	Power generation & Distribution	33.17%	0.00%	0.00%	36.66%	(30.89)	45.24
Lucky Cement	Cement Manufacturer	6.51%	0.00%	0.00%	93%	(26.30)	151.54

**Meezan Bank Ltd.**

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



Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non-Shari'ah 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 Limited	Exploration and Production of Oil & Gas	0.00%	32.55%	3.84%	35.89%	37.05	192.61
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.12%	3.74%	72.44%	(45.41)	437.54
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.12%	32%	4.88%	34.85%	45.09	176.79
Pakistan State Oil Company Limited	Distribution of Oil & Gas	15.92%	0.00%	0.41%	39.86%	(294.79)	232.21
Packages Limited	Paper & Board	25.81%	19.62%	2.98%	45.15%	118.85	151.16

\* All interest based debts

\*\* 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.

- ii. On the basis of information provided by the management, all operations of AMMF for the year ended June 30, 2013 have been in compliance with the *Shari'ah* principles.

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

During the year a provision of Rupees 2.214 million was created and an amount of Rupees 2.6 million was disbursed.

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

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



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL MEEZAN MUTUAL FUND**

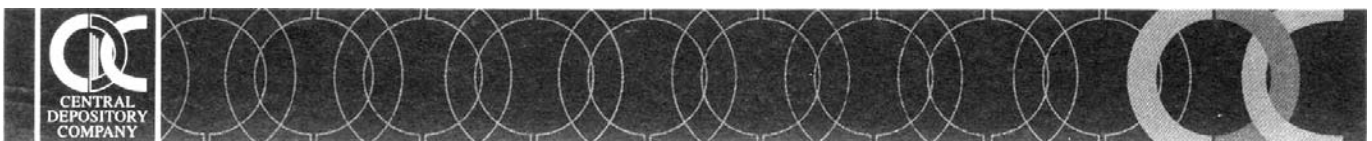
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2013 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 11, 2013



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Islamabad Stock Exchange Limited (Formerly Islamabad Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.

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

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**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 23, 2013



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

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund is listed.

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

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

Further, Listing Regulations notified by the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

**Date: 23 August 2013**

**Karachi**

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

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





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

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

## Independent Auditors' Report to the Unitholders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Al Meezan Mutual Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *Emphasis of Matter*

We draw attention to note 11 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not modified in respect of the aforementioned matter.

### *Other Matters*


The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of Chartered Accountants, who vide their report dated 19 October 2012, addressed to the Unitholders, had expressed an unmodified opinion thereon.

### *Report on Other Legal and Regulatory Requirements*

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

Date: 23 August 2013

Karachi

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

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


# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Assets</b>			
Balances with banks	4	199,155	163,281
Investments	5	2,031,950	1,510,974
Receivable against sale of investments		15	10,448
Dividend receivable		1,868	3,069
Deposits and other receivables	6	7,150	7,464
<b>Total assets</b>		<b>2,240,138</b>	<b>1,695,236</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	6,214	3,485
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	257	220
Payable to Meezan Bank Limited (MBL)		-	12
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	1,742	1,493
Payable on redemption and conversion of units		695	100
Accrued expenses and other liabilities	10	14,396	3,780
Payable against purchase of investments		21,931	643
Unclaimed dividend		4,776	4,798
<b>Total liabilities</b>		<b>50,011</b>	<b>14,531</b>
<b>Net assets</b>		<b>2,190,127</b>	<b>1,680,705</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund (as per statement attached)</b>		<b>2,190,127</b>	<b>1,680,705</b>
<b>Number of units</b>			
<b>Number of units in issue</b>	12	<b>136,128,843</b>	<b>132,486,008</b>
<b>Rupees</b>			
<b>Net assets value per unit</b>		<b>16.09</b>	<b>12.69</b>

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director


# INCOME STATEMENT

For the year ended June 30, 2013

	Year ended June 30, 2013	Period from August 05, 2011 to June 30, 2012
Note	(Rupees in '000)	
<b>Income</b>		
Net realised gain on sale of investments	437,063	235,525
Dividend income	123,184	96,091
Profit on saving accounts with banks	8,099	12,499
Back end load	38	13,351
Other income	1,217	683
	569,601	358,149
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)	230,105	30,090
Impairment loss on 'available for sale' investments	(8,200)	(28,822)
	221,905	1,268
<b>Total income</b>	791,506	359,417
<b>Expenses</b>		
Remuneration to Al Meezan Investment Management Limited - Management Company	7.1 36,779	28,117
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3 6,232	4,499
Remuneration to Central Depository Company of Pakistan Limited - Trustee	8 2,830	2,315
Annual fee to Securities and Exchange Commission of Pakistan	9 1,742	1,336
Auditors' remuneration	13 559	693
Fees and subscription	25	360
Charity expense	2,214	1,932
Brokerage	2,485	1,355
Bank and settlement charges	871	542
Printing expenses	350	336
Provision for Workers' Welfare Fund (WWF)	11 10,057	-
<b>Total expenses</b>	64,144	41,485
<b>Net income from operating activities</b>	727,362	317,932
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)	(16,506)	(3,308)
<b>Net income for the year / period before taxation</b>	710,856	314,624
Taxation	19 -	-
<b>Net income for the year / period after taxation</b>	710,856	314,624
<b>Other comprehensive income for the year / period</b>		
<b>Item can be reclassified to income statement in subsequent periods</b>		
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' (net)	41,743	(29,906)
<b>Total comprehensive income for the year / period</b>	752,599	284,718

The annexed notes 1 to 27 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


# DISTRIBUTION STATEMENT

For the year ended June 30, 2013

	Year ended June 30, 2013	Period from August 05, 2011 to June 30, 2012
	(Rupees in '000)	
Undistributed income brought forward		
- Realised	222,733	-
- Unrealised	30,090	-
	252,823	-
Less: Final distribution for the period from August 5, 2011 to June 30, 2012 - bonus units @ 20% (Rs. 2 per unit) (on July 9, 2012)	(264,971)	-
Loss transferred from Al Meezan Mutual Fund Limited	-	(60,110)
Net income for the year / period	710,856	314,624
Element of loss and capital losses included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)	(17,148)	(1,691)
Undistributed income carried forward	681,560	252,823
Undistributed income carried forward		
- Realised	451,455	222,733
- Unrealised	230,105	30,090
	681,560	252,823

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director


# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

## For the year ended June 30, 2013

	Year ended June 30, 2013	Period from August 05, 2011 to June 30, 2012
	(Rupees in '000)	
Net assets at beginning of the year / period	1,680,705	-
Issue of 137,539,986 units against cancellation of 137,539,986 shares of Al Meezan Mutual Fund Limited upon conversion of Al Meezan Mutual Fund Limited into Al Meezan Mutual Fund (open end fund) as per scheme of arrangement	-	1,450,997
Issue of 48,069,369 units (August 5, 2011 to June 30, 2012 : 15,696,250 units)	636,457	175,160
Redemption of 69,213,439 units (August 5, 2011 to June 30, 2012 : 20,750,228 units)	(896,140)	(233,478)
	(259,683)	(58,318)
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)	16,506	3,308
Issue of 24,786,905 bonus units for the period from August 5, 2011 to June 30, 2012	264,971	-
Net realised gain on sale of investments	437,063	235,525
Unrealised appreciation / (diminution) in value of investments (net)	263,648	(28,638)
Total other comprehensive income for the year / period	51,888	77,831
Issue of 24,786,905 bonus units for the period from August 5, 2011 to June 30, 2012	(264,971)	-
Net income for the year less distribution	487,628	284,718
Net assets at end of the year / period	2,190,127	1,680,705
	(Rupees)	
Net assets value per unit as at beginning of the year / period	12.69	-
Net assets value per unit as at end of the year / period	16.09	12.69

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

# CASH FLOW STATEMENT

For the year ended June 30, 2013

Note	Year ended June 30, 2013	Period from August 05, 2011 to June 30, 2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year / period	710,856	314,624
<b>Adjustments for:</b>		
Unrealised gain on re-measurement of investments at 'fair value through profit or loss' (net)	(230,105)	(30,090)
Impairment loss on 'available for sale' investments	8,200	28,822
Element of loss and capital losses included in prices of units issued less those in units redeemed (net)	16,506	3,308
	<u>505,457</u>	<u>316,664</u>
<b>(Increase) / decrease in assets</b>		
Investments (net)	(257,328)	(187,221)
Receivable against sale of investments	10,433	(10,448)
Dividend receivable	1,201	(3,069)
Deposits and other receivables	314	(1,106)
	<u>(245,380)</u>	<u>(201,844)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	2,729	(370)
Payable to Central Depository Company of Pakistan Limited - Trustee	37	152
Payable to Securities and Exchange Commission of Pakistan	249	(184)
Payable to Meezan Bank Limited	(12)	12
Payable against purchase of investments	21,288	643
Accrued expenses and other liabilities	10,616	512
Conversion cost payable to the Management Company	-	(5,423)
	<u>34,907</u>	<u>(4,658)</u>
<b>Net cash inflow from operating activities</b>	<u>294,984</u>	<u>110,162</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units	636,457	175,160
Payment against redemption of units	(895,545)	(233,378)
Dividend paid	(22)	(239,942)
<b>Net cash (used in) financing activities</b>	<u>(259,110)</u>	<u>(298,160)</u>
Net increase / (decrease) in cash and cash equivalents during the year / period	35,874	(187,998)
Cash and cash equivalents at beginning of the year / period	163,281	-
Cash and cash equivalents transferred from Al Meezan Mutual Fund Limited	-	351,279
Cash and cash equivalents at end of the year / period	<u>199,155</u>	<u>163,281</u>

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Al Meezan Mutual Fund (the Fund) was constituted by virtue of a scheme of arrangement for conversion of Al Meezan Mutual Fund Limited (AMMFL) into an Open End Scheme under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 17, 2011 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. 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 Islamabad Stock Exchange. 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.
- 1.4 The Management Company of the Fund has been given quality rating of AM2 by JCR-VIS Credit Rating Company Limited.
- 1.5 Title of the assets of the Fund is held in the name of CDC as a Trustee of the Fund.

## 2. BASIS OF PRESENTATION

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

### 2.1 Statement of compliance

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentational currency

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

## 2.4 Critical accounting estimates and judgements

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

- a) Classification and valuation of financial instruments (notes 3.1 and 5); and
- b) Impairment of financial instruments (note 3.1.6)
- c) Recognition of provision for Workers' Welfare Fund (note 11)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.



- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on the financial statements of the Fund.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Financial instruments

##### 3.1.1 Classification

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

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

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

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

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

##### (b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

##### (c) Loans and receivables

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

#### **(d) Available for sale**

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

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

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

#### **3.1.3 Recognition**

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

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

#### **3.1.4 Measurement**

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

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

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

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

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

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

#### **3.1.6 Impairment**

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

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, 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 removed from other comprehensive income and recognised in the Income Statement.

### 3.1.7 Derecognition

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

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

### 3.1.8 Offsetting of financial instruments

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

### 3.2 Provisions

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

### 3.3 Net assets value per unit

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

### 3.4 Taxation

#### *Current*

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current year as the Fund intends to avail this exemption.

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.

#### *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.

However, the Fund intends to avail the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

### **3.5 Revenue recognition**

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the Statement of Movement in Unitholders' Fund in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (v) Profit on bank deposit is recognised on time proportion basis using effective yield method.

### **3.6 Expenses**

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

### **3.7 Earnings per unit**

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

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

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

### **3.9 Distribution**

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

### **3.10 Unitholders' Fund**

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

### 3.11 Issuance and redemption of units

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

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

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

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

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

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

	Note	2013 (Rupees in '000)	2012
<b>4. BALANCES WITH BANKS</b>			
On current accounts		6,299	4,790
On saving accounts	4.1	192,856	158,491
		<u>199,155</u>	<u>163,281</u>

4.1 The balances in saving accounts have an expected profit ranging from 5.65% to 9.40% per annum (2012: 5.65% to 12% per annum) during the year.

### 5. INVESTMENTS

Investment 'at fair value through profit or loss'			
- Held for trading	5.1	1,163,074	645,384
Investment - 'available for sale'	5.2	868,876	865,590
		<u>2,031,950</u>	<u>1,510,974</u>

## 5.1 Held for trading -shares of listed companies

### 5.1.1 Shares of listed companies

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market Value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage in relation to total market value of investment
	Number of shares					Rupees in '000			%
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	1,245,655	-	78,557	531,500	792,712	20,653	22,989	2,336	1.13
<b>Construction and Materials</b>									
Akzo Nobel Pakistan Limited	764	-	-	764	-	-	-	-	-
Attock Cement Pakistan Limited	70,305	-	10,170	79,500	975	69	129	60	0.01
DG Khan Cement Company Limited	437,305	882,000	-	1,267,500	51,805	2,602	4,336	1,734	0.21
Lucky Cement Company Limited	608,190	270,000	-	213,000	665,190	83,402	139,504	56,102	6.87
									7.09
<b>Oil &amp; gas</b>									
Attock Refinery Limited	-	163,400	-	162,900	500	101	86	(15)	-
National Refinery Limited	20,000	10,000	-	30,000	-	-	-	-	-
Pakistan State Oil Company Limited	30,000	197,900	31,320	228,359	30,861	10,006	9,887	(119)	0.49
Pakistan Oilfields Limited	125,951	192,000	-	75,200	242,751	103,886	120,737	16,851	5.94
Pakistan Petroleum Limited	382,947	472,800	95,736	101,600	849,883	146,027	179,818	33,791	8.85
Oil and Gas Development Company Limited (5.1.3)	133,000	319,600	-	56,700	395,900	70,939	90,562	19,623	4.46
Attock Petroleum Limited	-	25,000	-	25,000	-	-	-	-	-
									19.74
<b>Automobile and Parts</b>									
Indus Motor Company Limited	125,464	-	-	28,200	97,264	23,837	30,249	6,412	1.49
Pak Suzuki Motor Company Limited	56,389	50,300	-	56,000	50,689	5,984	7,539	1,555	0.37
Agriautos Industries Limited (note 5.1.2)	8,960	-	-	2,500	6,460	523	485	(38)	0.02
									1.88
<b>Fixed Line and telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	1,238,750	3,070,500	-	1,748,080	2,561,170	49,609	56,832	7,223	2.80
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	794,685	501,000	-	492,500	803,185	31,744	30,152	(1,592)	1.48
Fauji Fertilizer Company Limited	1,299,500	602,200	-	791,500	1,110,200	125,248	119,269	(5,979)	5.87
ICI Pakistan Limited	1,521	-	-	-	1,521	199	253	54	0.01
									7.36
<b>General Industrials</b>									
Packages Limited	490,000	68,500	-	54,500	504,000	54,091	112,578	58,487	5.54
Thal Limited (note 5.1.2)	316,701	-	14,783	245,871	85,613	7,238	10,915	3,677	0.54
Tri-Pack Films Limited	16,428	-	-	-	16,428	3,450	3,318	(132)	0.16
									6.24
<b>Food producers</b>									
Engro Foods Limited	505,000	1,161,000	-	812,000	854,000	95,393	120,218	24,825	5.92
Unilever Pak Limited (note 5.1.2)	-	1,630	-	1,630	-	-	-	-	-
									5.92
<b>Electricity</b>									
Hub Power Company Limited	470,000	771,000	-	921,000	320,000	19,254	19,728	474	0.97
Kohinoor Energy Limited	-	150,000	-	-	150,000	5,100	5,625	525	0.28
									1.25
<b>Automobile Assembler</b>									
Millat Tractors Limited	-	36,200	1,030	37,230	-	-	-	-	-
<b>Personal Goods</b>									
Nishat Mills Limited	-	829,500	-	3,000	826,500	73,614	77,865	4,251	3.83
<b>Total</b>						<b>932,969</b>	<b>1,163,074</b>	<b>230,105</b>	
<b>Total cost of investments - 'held for trading'</b>							<b>742,889</b>		

5.1.2 All shares have a nominal value of Rs. 10 each except for the shares of Agriautos Industries Limited and Thal Limited which have a face value of Rs. 5 each and Unilever Pak Limited which has a face value of Rs 50 each.

5.1.3 190,000 shares (2012: 190,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 43.51 million (2012: Rs 30.484 million) as at June 30, 2013, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

## 5.2 Investments - available for sale

### 5.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013 (Before Impairment)	Impairment during the year	Carrying value as at June 30, 2013 (After Impairment)	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage in relation to total market value of total investment
	Number of shares					Rupees in '000					%
<b>Sector / Companies</b>											
<b>Banks</b>											
Meezan Bank Limited (an associate of the Fund)	1,172,893	-	72,313	945,500	299,706	4,130	-	4,130	8,691	4,561	0.43
BankIslami Pakistan Limited	500	-	-	-	500	2	-	2	3	1	-
											0.43
<b>Construction and materials</b>											
Akzo Nobel Pakistan Limited	181,768	-	-	181,768	-	-	-	-	-	-	-
Lucky Cement Company Limited	180,127	-	-	155,000	25,127	2,986	-	2,986	5,270	2,284	0.26
D.G. Khan Cement Company Limited	1,154,000	1,600,000	-	1,154,000	1,600,000	131,994	-	131,994	133,904	1,910	6.59
											6.85
<b>Electricity</b>											
Hub Power Company Limited	3,702,500	3,200,000	-	3,660,000	3,242,500	198,410	-	198,410	199,900	1,490	9.83
<b>Oil and gas</b>											
Pakistan State Oil Company Limited	429,543	702,908	103,090	668,541	567,000	169,856	-	169,856	181,655	11,799	8.94
Oil & Gas Development Company Limited	755,663	-	-	84,000	671,663	96,120	-	96,120	153,643	57,523	7.56
Pakistan Oilfields Limited	285,340	-	-	54,000	231,340	59,711	-	59,711	115,062	55,351	5.66
Pakistan Petroleum Limited	404,822	-	101,205	470,100	35,927	4,271	-	4,271	7,602	3,331	0.37
National Refinery Limited	46,246	-	-	46,246	-	-	-	-	-	-	-
Attock Petroleum Limited	23,500	-	-	23,300	200	83	-	83	112	29	0.01
											22.54
<b>Automobile and parts</b>											
Agriaautos Industries Limited (note 5.2.2)	700,000	-	-	78,500	621,500	41,454	-	41,454	46,693	5,239	2.30
Indus Motor Company Limited	16,200	-	-	-	16,200	3,961	-	3,961	5,038	1,077	0.25
											2.55
<b>Fixed Line and telecommunication</b>											
Pakistan Telecommunication Company Limited "A"	1,334,920	-	-	1,334,920	-	-	-	-	-	-	-
<b>Pharma and bio tech</b>											
GlaxoSmithKline (Pakistan) Limited	20,046	-	-	20,046	-	-	-	-	-	-	-
<b>Chemicals</b>											
Fauji Fertilizer Company Limited	21,857	-	-	16,400	5,457	428	-	428	586	158	0.03
Fauji Fertilizer Bin Qasim Limited (note 5.2.3)	210,500	-	-	100,000	110,500	5,492	1,344	4,148	4,148	-	0.20
ICI Pakistan Limited	361,472	-	-	348,615	12,857	1,618	-	1,618	2,140	522	0.11
											0.34
<b>Automobile assembler</b>											
Millat Tractors Limited	3,000	-	-	3,000	-	-	-	-	-	-	-
<b>General Industrials</b>											
Packages Limited	1,378	-	-	-	1,378	113	-	113	308	195	0.02
Tri-Pack Films Limited	100,000	-	-	79,600	20,400	1,981	-	1,981	4,121	2,140	0.20
											0.22
<b>Total</b>						<b>722,610</b>	<b>1,344</b>	<b>721,266</b>	<b>868,876</b>	<b>147,610</b>	
<b>Total cost of investments - 'available for sale'</b>								<b>721,266</b>			



5.2.2 All shares have a nominal value of Rs. 10 each except for the shares of Agriautos Industries Limited which has a face value of Rs. 5 each.

5.2.3 During the year ending June 30, 2013, an impairment loss amounting to Rs. 8.200 million was recognized on Akzo Nobel Pakistan Limited and Fauji Fertilizer Bin Qasim Limited.

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

	Note	2013 (Rupees in '000)	2012
Market value of investment		868,876	865,590
Less: Cost of investments		721,266	788,612
		<u>147,610</u>	<u>76,978</u>
Less: Net unrealised Diminution on re-measurement of investments classified as 'available for sale' at beginning of the year (net of impairment)		114,067	135,706
		<u>33,543</u>	<u>(58,728)</u>
Impairment loss on listed equity securities classified as 'available for sale' - transferred to income statement (note - 5.2.2)		8,200	28,822
		<u>41,743</u>	<u>(29,906)</u>

#### 6. DEPOSITS AND OTHER RECEIVABLES

Security deposits		2,738	2,738
Profit receivable on saving accounts with banks		4,412	4,726
		<u>7,150</u>	<u>7,464</u>

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

Management fee	7.1	3,668	2,765
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	934	442
Sales load		1,324	270
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	288	8
		<u>6,214</u>	<u>3,485</u>

7.1 Under the provisions of NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of two percent per annum.

7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from July 01, 2011.

7.3 With effect from June 13, 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company and sales load through Finance Act, 2013.

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

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

The remuneration of the Trustee for the year ended June 30, 2013 and 2012 has been calculated as per the following applicable tariff:

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

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

This represents annual fee at the rate of 0.095 percent of the average annual net assets of the Fund is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations.

## 10. ACCRUED EXPENSES AND OTHER LIABILITIES.

	Note	2013	2012
(Rupees in '000)			
Auditors' remuneration		448	450
Withholding tax payable		77	10
Charity payable	10.1	1,928	2,314
Performance rating fee		25	150
Zakat payable		44	-
Printing charges payable		476	255
Brokerage Payable		1,341	601
Workers' Welfare Fund payable (WWF)		10,057	-
		<u>14,396</u>	<u>3,780</u>

10.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.928 million is outstanding in this regard after making charity payments of Rs 2.6 million to renowned charitable institutions. None of the directors of the Management Company of the Fund were interested in any of donees.

## 11. CONTINGENCIES AND COMMITMENTS

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, during the year ended June 30, 2010, a constitutional petition has been filed by certain CISs through their Trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry filed its response

against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

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

The Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has not recognised WWF charge upto December 31, 2012 amounting to Rs 24.534 million which includes Rs 4.079 million pertaining to the current year. Had the same been made, the net asset value per unit of the Fund would have been lower by Rs. 0.18 (1.12%).

However, the management as a matter of abundant caution has recognised WWF charge for the period from January 1, 2013 to June 30, 2013 amounting to Rs. 10.057 million.

There were no other contingencies and commitments outstanding as at June 30, 2013.

	2013	2012
	(Number of units)	
<b>12. NUMBER OF UNITS IN ISSUE</b>		
<b>12.1</b> The movement in number of units in issue during the year / period is as follows:		
Total units in issue at the beginning of the year / period	<b>132,486,008</b>	-
Add: units issued during the period against cancellation of shares of Al Meezan Mutual Fund	-	137,539,986
Add: units issued during the year / period	<b>48,069,369</b>	15,696,250
Add: bonus units issued during the year / period	<b>24,786,905</b>	-
Less: units redeemed during the year / period	<b>(69,213,439)</b>	(20,750,228)
Total units in issue at the end of the year / period	<b><u>136,128,843</u></b>	<u>132,486,008</u>

**12.2** The Fund may issue following classes of units:

Class	Description
A	Units shall be issued to all Conversion Unitholders making fresh investment which may not be charged with front-end or back-end load.
B	Units that shall be charged with front-end load.
C	Units that shall be conversion units with back-end load.
D	Units that may be issued and charged with contingent load.

**12.3** Management Company of the Fund may issue the following types of units:

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unitholders shall also be the growth units; and
- Income units which shall be entitled to dividend in case of any distribution by the Fund.

**13. AUDITORS' REMUNERATION**

	<b>Year ended June 30, 2013</b>	Period from August 05, 2011 to June 30, 2012
	(Rupees in '000)	
Audit fee	<b>400</b>	460
Half yearly review	<b>100</b>	101
Other certifications and services	<b>50</b>	110
Out of pocket expenses	<b>9</b>	22
	<b>559</b>	693

**14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

The 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 officers of the Management Company, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Balanced Fund, Meezan Tahaffuz Pension Fund, Meezan Cash Fund, Meezan Sovereign Fund, Meezan Capital Protected Fund - II, KSE Meezan Index Fund and Meezan Financial Planning Fund of Funds being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Provident Fund and Al Meezan Investment Management Limited - Staff Gratuity Fund.

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

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

Details of transactions with connected persons and balances with them for the year ended June 30, 2013 and as of that date along with comparatives are as follows:

	2013	2012
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	<u>3,668</u>	<u>2,765</u>
Sales load payable	<u>1,324</u>	<u>270</u>
Sindh Sales Tax and Federal Excise Duty on management fee payable	<u>934</u>	<u>442</u>
Sindh Sales Tax and Federal Excise Duty on sales load payable	<u>288</u>	<u>8</u>
Investment of 28,356,964 units (June 30, 2012: 41,075,440 units) *	<u>456,264</u>	<u>521,247</u>
<b>Meezan Islamic Fund</b>		
Investment of Nil units (June 30, 2012 : 8,480,190 units) *	<u>-</u>	<u>107,698</u>
<b>Meezan Bank Limited - Shariah Advisor</b>		
Balances with bank	<u>4,889</u>	<u>5,649</u>
Sales load payable	<u>-</u>	<u>12</u>
Profit receivable on saving accounts	<u>100</u>	<u>23</u>
Investment in 1,092,418 shares (June 30, 2012 : 2,418,548 shares)	<u>31,680</u>	<u>69,944</u>
Investment of 6,602,132 units (June 30, 2012 : 5,561,607 units) *	<u>106,228</u>	<u>70,577</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	<u>257</u>	<u>220</u>
Deposits	<u>238</u>	<u>238</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 16,895,690 units (June 30, 2012 : 16,895,690 units) *	<u>271,852</u>	<u>214,406</u>
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Investment of 344,540 units (June 30, 2012 : 290,239 units) *	<u>5,544</u>	<u>3,683</u>
<b>Directors and officers of the Management Company</b>		
Investment of 2,038,825 units (June 30, 2012 : 1,272,219 units) *	<u>32,805</u>	<u>16,144</u>

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

**Year ended  
June 30,  
2013**      Period from  
August 05, 2011  
to June 30, 2012  
**(Rupees in '000)**

Remuneration for the year / period	<b>36,779</b>	28,117
Sindh Sales Tax and Federal Excise Duty on management fee for the year / period	<b>6,232</b>	4,499
Units issued : Nil units (June 30, 2012: 41,075,440 units) *	-	432,909
Redemptions : 20,403,310 units (June 30, 2012 : Nil units)	<b>300,011</b>	-
Bonus units issued : 7,684,834 units (June 30, 2012 : Nil units)	<b>82,151</b>	-

**Meezan Islamic Fund**

Units issued : Nil units (June 30, 2012: 8,480,190 units)	-	107,614
Bonus units issued : 1,586,565 units (June 30, 2012 : Nil units)	<b>16,960</b>	-
Redemptions : 10,066,755 units (June 30, 2012 : Nil units)	<b>113,855</b>	-

**Meezan Bank Limited**

Profit on saving accounts with bank	<b>153</b>	138
Dividend income	<b>3,628</b>	2,100
Gain on sale of investments	<b>13,189</b>	1,327
150,870 bonus shares received (June 30, 2012 : 268,727 bonus shares)	-	-
Nil shares purchased during the year / period (June 30, 2012 : 300,000 shares)	-	6,225
1,477,000 shares sold during the year / period (June 30, 2012 : 250,000 shares)	<b>42,369</b>	5,921
Units issued : Nil units (June 30, 2012 : 5,561,607 units) *	-	55,616
Bonus units issued : 1,040,525 (June 30, 2012 : Nil units)	<b>11,123</b>	-

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

Remuneration for the year / period	<b>2,830</b>	2,315
CDS charges for the year / period	<b>57</b>	30

**Pak Kuwait Investment Company (Private) Limited**

Units issued : Nil units (June 30, 2012 : 16,895,690 units) *	-	178,250
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**Al Meezan Investment Management Limited - Staff  
Gratuity Fund**

**Year ended  
June 30,  
2013**      Period from  
August 05,  
2011 to June 30,  
2012  
**(Rupees in '000)**

Units issued : Nil units (June 30, 2012 : 290,239 units) *	-	2,902
Bonus units issued : 54,301 units (June 30, 2012 : Nil units)	<b>580</b>	-

**Directors and officers of the Management Company**

Units issued: 957,147 units (June 30, 2012 : 1,318,681 units) *	<b>15,327</b>	14,415
Redemptions : 363,402 units (June 30, 2012 : 46,462 units)	<b>4,418</b>	567
Bonus units issued : 172,861 units (June 30, 2012 : Nil units)	<b>1,848</b>	-

\* Due to the conversion of Al Meezan Mutual Fund Limited (AMMFL) to Al Meezan Mutual Fund (AMMF), on August 05, 2011, the equity instrument (shares) of AMMFL were converted into units of AMMF in the ratio of 1:1 as per the scheme of arrangement for constitution of AMMF.

**15. FINANCIAL INSTRUMENTS BY CATEGORY**

	2013				
	Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
	(Rupees in '000)				
<b>On balance sheet - financial assets</b>					
Balances with banks	199,155	-	-	-	199,155
Investments	-	1,163,074	868,876	-	2,031,950
Receivable against sale of investments	15	-	-	-	15
Dividend receivable	1,868	-	-	-	1,868
Deposits and other receivables	7,150	-	-	-	7,150
	<b>208,188</b>	<b>1,163,074</b>	<b>868,876</b>	<b>-</b>	<b>2,240,138</b>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - Management Company	-	-	-	6,214	6,214
Payable to CDC - Trustee	-	-	-	257	257
Payable on redemption and conversion of units	-	-	-	695	695
Payable against purchase of investments	-	-	-	21,931	21,931
Unclaimed dividend	-	-	-	4,776	4,776
Accrued expenses and other liabilities	-	-	-	4,218	4,218
	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,091</b>	<b>38,091</b>

	2012				Total
	Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----					
<b>On balance sheet - financial assets</b>					
Balances with banks	163,281	-	-	-	163,281
Investments	-	645,384	865,590	-	1,510,974
Receivable against sale of investments	10,448	-	-	-	10,448
Dividend receivable	3,069	-	-	-	3,069
Deposits and other receivables	7,464	-	-	-	7,464
	<u>184,262</u>	<u>645,384</u>	<u>865,590</u>	<u>-</u>	<u>1,695,236</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan					
- Management Company	-	-	-	3,485	3,485
Payable to CDC - Trustee	-	-	-	220	220
Payable on redemption and conversion of units	-	-	-	100	100
Payable to MBL	-	-	-	12	12
Payable against purchase of investments	-	-	-	643	643
Unclaimed dividend	-	-	-	4,798	4,798
Accrued expenses and other liabilities	-	-	-	3,770	3,770
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,028</u>	<u>13,028</u>

## 16. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

### 16.1 Credit risk

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

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



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

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

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

	<b>2013</b>	2012
	<b>(Rupees in '000)</b>	
<b>Financial Assets</b>		
Balances with banks	<b>199,155</b>	163,281
Receivable against sale of investments	<b>15</b>	10,448
Dividend receivable	<b>1,868</b>	3,069
Deposits and other receivables	<b>7,150</b>	7,464
	<b><u>208,188</u></b>	<u>184,262</u>

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

	<b>2013</b>	2012
	------(%)-----	
AA+	<b>30.69</b>	94.44
AA	<b>11.37</b>	1.96
AA-	<b>4.24</b>	3.46
A	<b>53.70</b>	0.14
	<b><u>100.00</u></b>	<u>100.00</u>

None of the financial assets were considered to be past due or impaired as on June 30, 2013.

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

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

## 16.2 Liquidity risk

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

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

In accordance with regulation 58(1)(k) of the NBFC Regulations 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 328.519 million as on June 30, 2013 (2012 : Rs 252.106 million). However, no such borrowing has been obtained during the year.

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

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2013 along with comparative is tabulated below:

	2013				Total
	Maturity upto			More than	
	Three months	Six months	One year	One year	
	----- (Rupees in '000) -----				
Payable to Al Meezan					
- Management Company	6,214	-	-	-	6,214
Payable to CDC - Trustee	257	-	-	-	257
Payable to MBL	-	-	-	-	-
Payable on redemption and conversion of units	695	-	-	-	695
Unclaimed dividend	4,776	-	-	-	4,776
Payable against purchase of investments	21,931	-	-	-	21,931
Accrued expenses and other liabilities	4,218	-	-	-	4,218
	<u>38,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,091</u>

	2012				Total
	Maturity upto			More than	
	Three months	Six months	One year	One year	
	----- (Rupees in '000) -----				
Payable to Al Meezan - Management Company	3,485	-	-	-	3,485
Payable to CDC - Trustee	220	-	-	-	220
Payable to MBL	12	-	-	-	12
Payable on redemption and conversion of units	100	-	-	-	100
Unclaimed dividend	4,798	-	-	-	4,798
Payable against purchase of investments	643	-	-	-	643
Accrued expenses and other liabilities	3,770	-	-	-	3,770
	13,028	-	-	-	13,028

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

### 16.3 Market Risk

#### 16.3.1 Price risk

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

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

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

The net assets of the Fund will increase / decrease by Rs. 20.32 million (2012: Rs. 15.11 million) if the prices of equity vary due to increase / decrease in KMI 30 Index by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2013 and the historical correlation of the securities comprising the portfolio to the KMI. The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### 16.3.2 Interest rate risk

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

#### *Cash flow interest rate risk*

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

During the year ended June 30, 2013, the net income would have increased / (decreased) by Rs 1.929 million (2012: Rs 1.585 million) had the interest rates on saving accounts with banks increased / (decreased) by 100 basis points.

#### *Fair value interest rate risk*

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

### 16.3.3 Currency risk

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

## 17. UNITHOLDERS' FUND RISK MANAGEMENT

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

The relevant movements are shown in the Statement of Movement in Unitholders' Fund.

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

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

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

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

## 18. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

The following table presents the assets that are measured at fair value as at June 30, 2013:

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments - 'at fair value through profit or loss'</b>				
Financial assets held for trading				
- Equity securities	1,163,074	-	-	1,163,074
<b>Investments - 'available for sale'</b>				
Financial assets 'available for sale'				
- Equity securities	868,876	-	-	868,876
	<u>2,031,950</u>	<u>-</u>	<u>-</u>	<u>2,031,950</u>

During the year ended June 30, 2013, no transfers were made between the aforementioned levels.

The following table presents the assets that are measured at fair value as at June 30, 2012:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- (Rupees in '000) -----			
<b>Investments - 'at fair value through profit or loss'</b>				
Financial assets held for trading				
- Equity securities	645,384	-	-	645,384
<b>Investments - 'available for sale'</b>				
Financial assets 'available for sale'				
- Equity securities	865,590	-	-	865,590
	<u>1,510,974</u>	<u>-</u>	<u>-</u>	<u>1,510,974</u>

During the period from August 5, 2011 to June 30, 2012, no transfers were made between the aforementioned levels.

## 19. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company has distributed sufficient income of the Fund for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unitholders to avail exemption subsequent to year end (Refer note 25).

## 20. PERFORMANCE TABLE

	<b>2013</b>	2012
Net assets (Rs. '000) (ex-distribution) *	<b>2,190,127</b>	1,680,705
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>12.59</b>	10.69
Offer price per unit as at June 30 (Rs.) (ex-distribution)	<b>12.96</b>	10.97
Highest offer price per unit (Rs.)	<b>17.30</b>	13.83
Lowest offer price per unit (Rs.)	<b>11.37</b>	10.22
Highest redemption price per unit (Rs.)	<b>17.21</b>	13.47
Lowest redemption price per unit (Rs.)	<b>11.08</b>	9.96
<b>Distribution (%)</b>		
- Annual	<b>35</b>	20
Dates of distribution (annual)	<b>July 8, 2013</b>	July 9, 2012
Income distribution (Rupees in '000)	<b>10</b>	-
Growth distribution (Rupees in '000)	<b>476,441</b>	264,972
Total return (%)	<b>51</b>	20
	<b>One Year</b>	Two Year
Average annual return (%) as at June 30, 2013	<b>51</b>	35.5

\* The distribution is not accounted for in these financial statements as also explained in note 25.

## Investment portfolio composition of the Fund

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

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

## 21. 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 Officer	CFA / MBA	Twenty three years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Nine years
Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Six years
Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Four years
Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Six years

21.2 The Fund manager of the Fund is Mr. Gohar Rasool. Other Fund being managed by the Fund manager is KSE Meezan Index Fund.

## 22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors' meetings and directors present therein					
		Jul 9, 2012	Sep 21, 2012	Oct 19, 2012	Jan 21, 2013	Apr 19, 2013	Jun 17, 2013
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	No	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	No	Yes	No	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes

## 23. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2013 %
1. Arif Habib Limited	8.97%
2. Optimus Capital Management (Private) Limited	8.36%
3. Shajar Capital Pakistan (Private) Limited	6.93%
4. Fortune Securities (Private) Limited	6.71%
5. KASB Securities Limited	5.98%
6. Elixir Securities Pakistan (Private) Limited	4.44%
7. Aba Ali Habib Securities	4.10%
8. Top Line Securities (Private) Limited	4.02%
9. Ample Securities (Private) Limited	3.59%
10. JS Global Capital Limited	3.41%

Broker's Name	2012 %
1. KASB Securities Limited	13.19%
2. BMA Capital Management Limited	8.97%
3. Foundation Securities (Private) Limited	8.48%
4. Invest Capital Markets Limited	7.16%
5. Elixir Securities Pakistan (Private) Limited	6.92%
6. Top Line Securities (Private) Limited	6.33%
7. Fortune Securities (Private) Limited	6.07%
8. Optimus Capital Management (Private) Limited	5.85%
9. JS Global Capital Limited	5.67%
10. Arif Habib Limited	4.61%

## 24. PATTERN OF UNITHOLDING

	----- (2013) -----		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	2,270	758,109	34.62
Associated companies / directors	4	866,227	39.55
Insurance companies	2	83,035	3.79
Banks / DFIs	4	5,231	0.24
NBFCs	6	19,489	0.89
Retirement funds	17	381,329	17.41
Public limited companies	2	487	0.02
Others	72	76,220	3.48
<b>Total</b>	<b>2,377</b>	<b>2,190,127</b>	<b>100.00</b>



	----- (2012) -----		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	1,973	504,971	30.04
Associated companies / directors	5	929,205	55.28
Insurance companies	2	58,645	3.49
Banks / DFIs	6	20,421	1.22
NBFCs	7	89,255	5.31
Retirement funds	11	41,937	2.50
Public limited companies	83	34,125	2.03
Others	2	2,146	0.13
Total	<u>2,089</u>	<u>1,680,705</u>	<u>100.00</u>

## 25. NON ADJUSTING EVENTS

The Board of Directors in its meeting held on July 8, 2013 has announced a payout of 35% (Rs. 3.5 per unit) amounting to Rs 476.451 million (2012: 264.972 million) equivalent to 37,842,839 (2012: 24,786,905) bonus units. The financial statements for the year ended June 30, 2013 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ended June 30, 2014.


## 26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Management Company.

## 27. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

# PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

Units held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	28,356,964	20.83
Al Meezan Investment Management Limited Staff Gratuity Fund	344,540	0.25
Meezan Bank Limited	6,602,132	4.85
Pak Kuwait Investment Company (Private) Limited	16,895,690	12.41
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	1,981,546	1.46
<b>Executives</b>	57,279	0.04
<b>Public Limited Companies</b>	30,271	0.02
<b>Banks and financial institutions</b>	325,098	0.23
<b>Individuals</b>	47,071,034	34.59
<b>Retirement funds</b>	23,355,201	17.16
<b>Other corporate sector entities</b>	10,953,666	8.05
<b>Non-Profit Organization</b>	155,422	0.11
<b>Total</b>	<b>136,128,843</b>	<b>100.00</b>





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# 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  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)  
Habib Metropolitan Bank Limited - Islamic Banking  
Meezan Bank Limited  
National Bank of Pakistan - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi - 75530  
Phone: (9221) 3565 7658-59 Fax: (9221) 3565 7673  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi.  
Phone: 32062891 Fax: 32552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

# REPORT OF THE FUND MANAGER

KSE Meezan Index Fund (KMIF) is an open end index tracker fund investing in Shariah compliant listed equity securities.

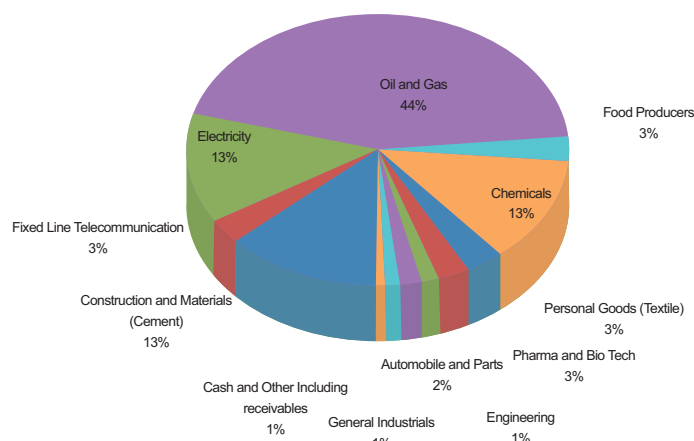
The objective of KMIF is to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the Index in proportion to their weightages.

## 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.

The Fund was launched on 23rd May 2012, and completed first full year of operations during the year. As on June 30, 2013, the asset allocation of the fund is as given below:

## Sector Allocation for the year ended FY13

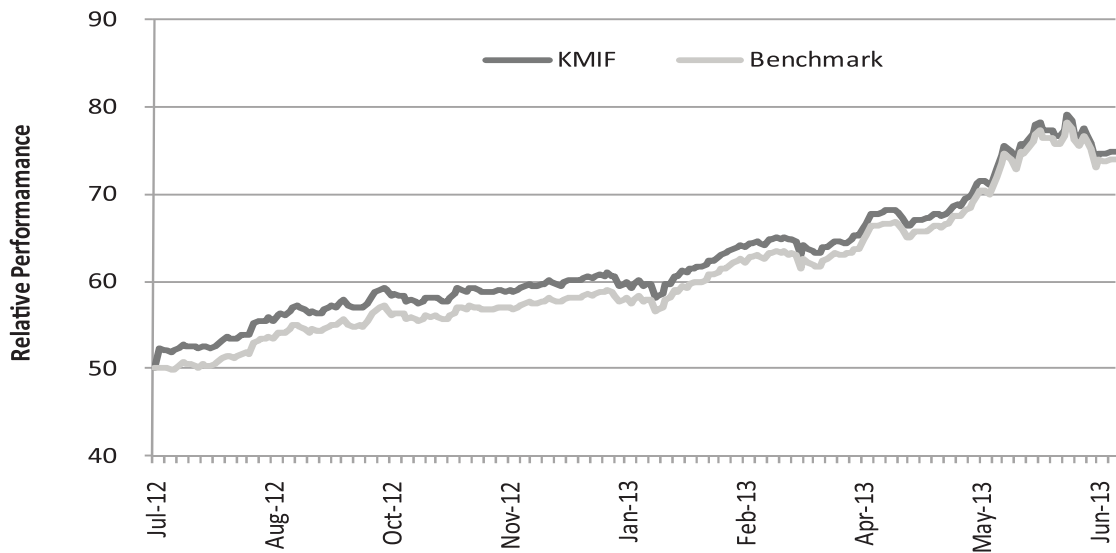


## Performance Review

During the fiscal year 2013, KSE Meezan Index Fund (KMIF) provided a return of 49.6% to its investors while KSE Meezan Index (KMI 30) returned 54.4% to close at 36,713. The Fund tracked 91.1% of the benchmark return with tracking error remaining within the stipulated limits. The KSE 100 index during the same period closed at the level of 21,006 pts, posting a 52% increase.

KMIF posted a total income of Rs. 182 million in the fiscal year 2013 as opposed to a loss Rs. 5 million in the last year. Total income comprised mainly of realized and unrealized gains on investments of Rs. 45 million and Rs. 107 million respectively. Dividend income contributed Rs. 26 million to the income, while profit on savings account at banks amounted to Rs. 1 million. After accounting for expenses of Rs. 14 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 131 million, the Fund posted a net income of Rs. 299 million. The net assets of the Fund as at June 30, 2013 were Rs. 901 million as compared to Rs. 289 million at the end of last year. The net asset value (NAV) per unit appreciated from Rs. 48.83 to Rs. 73.06 (50% up) during the fiscal year 2013.

	KMIF	KMI-30
Net Asset Value (NAV) as on June 30, 2012	48.83	23,776
Net Asset Value (NAV) as on June 30, 2013	73.06	36,713
Return During the Period	49.64%	54.41%



### Charity Statement

The Fund purifies the dividend earned by setting aside from its income an amount payable by the Management Company out of the income of the Trust to a charitable / welfare organization, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2013 an amount of Rs. 0.48 million was accrued as charity payable.

### Distributions

The Board of Directors in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 15.50 per unit (31%) out of the profits of the Fund for the year ended June 30, 2013.

### Breakdown of unit holdings by size:

(As on June 30, 2013)

Range of units	Number of unit holders
Upto 10,000	281
Between 10,001 to 50,000	73
Between 50,001 to 100,000	6
Between 100,001 to 500,000	8
Between 500,001 and above	5
<b>Total</b>	<b>373</b>



## Meezan Bank

The Premier Islamic Bank

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

August 20, 2013/ Shawwal 12, 1434

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

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

- i. We have reviewed and approved the modes of investments of KMIF in light of *Shari'ah* requirements. Following is the list of the top investments of KMIF as on June 30, 2013 and their evaluation according to the screening criteria established by us. (December 31, 2012 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non- <i>Shari'ah</i> 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)
DG Khan Cement	Cement Manufacturer	23.93%	28.79%	4.16%	67%	(12.40)	54.58
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	25.41%	19.08%	1.21%	60%	(21.62)	117.14
Engro Foods	Food Producers	32.25%	12.21%	0.21%	71.66%	(7.68)	98.14
Hub Power Company Limited	Power generation & Distribution	33.17%	0.00%	0.00%	36.66%	(30.89)	45.24
	(i)	(ii)*	(iii)	(iv)	(v)	(vi)	

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





Company Name	Nature of Business	Debt to Assets (<37%)	% of Non-Shari'ah Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Lucky Cement	Cement Manufacturer	6.51%	0.00%	0.00%	93%	(26.30)	151.54
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	32.55%	3.84%	35.89%	37.05	192.61
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.12%	3.74%	72.44%	(45.41)	437.54
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.12%	32%	4.88%	34.85%	45.09	176.79
Pakistan State Oil Company Limited	Distribution of Oil & Gas	15.92%	0.00%	0.41%	39.86%	(294.79)	232.21
Packages Limited	Paper & Board	25.81%	19.62%	2.98%	45.15%	118.85	151.16

\* All interest based debts.

\*\* 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.

- ii. On the basis of information provided by the management, all operations of KMIF for the year ended June 30, 2013 have been in compliance with the *Shari'ah* principles.

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

During the year a provision of Rupees 0.48 million was created and an amount of Rupees 0.48 million was available for disbursement.

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

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



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**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, 2013 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 11, 2013



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Islamabad Stock Exchange Limited (Formerly Islamabad Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

---

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 23, 2013



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

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund is listed.

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

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

Further, Listing Regulations notified by the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

**Date: 23 August 2013**

**Karachi**

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

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



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

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

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **KSE Meezan Index Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *Emphasis of Matter*

We draw attention to note 15 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not modified in respect of the aforementioned matter.

### *Other Matters*


The financial statements of the Fund for the period ended 30 June 2012 were audited by another firm of Chartered Accountants, who vide their report dated 19 October 2012, addressed to the Unitholders, had expressed an unmodified opinion thereon.

### *Report on Other Legal and Regulatory Requirements*

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

**Date: 23 August 2013**

**Karachi**

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

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


# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Assets</b>			
Balances with banks	4	15,240	4,066
Investments	5	896,898	290,058
Dividend receivable		821	463
Deposits and other receivables	6	3,430	2,657
Preliminary expenses and floatation costs	7	1,570	1,973
<b>Total assets</b>		<b>917,959</b>	<b>299,217</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8	2,034	6,044
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	148	58
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	385	24
Payable against purchase of investments		4,488	3,170
Payable on redemption and conversion of units		3,204	-
Accrued expenses and other liabilities	11	6,296	437
<b>Total liabilities</b>		<b>16,555</b>	<b>9,733</b>
<b>Net assets</b>		<b>901,404</b>	<b>289,484</b>
<b>Contingencies and commitments</b>	15		
<b>Unitholders' fund (as per statement attached)</b>		<b>901,404</b>	<b>289,484</b>
		<b>(Number of units)</b>	
<b>Number of units in issue</b>	12	<b>12,337,661</b>	<b>5,928,882</b>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>73.06</b>	<b>48.83</b>

The annexed notes 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


# INCOME STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	Note	Year ended June 30, 2013	Period from May 18, to June 30, 2012
(Rupees in '000)			
<b>Income</b>			
Net realised gain / (loss) on sale of investments		45,256	(286)
Dividend income		25,798	463
Profit on saving accounts with banks		1,254	163
Other income		1,908	168
		<u>74,216</u>	<u>508</u>
Unrealised gain / (loss) on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	<u>107,332</u>	<u>(5,240)</u>
<b>Total income / (loss)</b>		<b>181,548</b>	<b>(4,732)</b>
<b>Expenses</b>			
Remuneration to AI Meezan Investment Management Limited - Management Company	8.1	4,051	253
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	719	40
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	792	69
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	385	24
Auditors' remuneration	13	245	50
Brokerage		1,154	373
Charity expense		481	12
Bank and settlement charges		533	122
Amortisation of preliminary expenses and floatation costs	7	403	40
Fees and subscription		101	-
Provision for Workers' Welfare Fund (WWF)	15	4,925	-
Printing expenses		86	-
<b>Total expenses</b>		<u>13,875</u>	<u>983</u>
<b>Net income / (loss) from operating activities</b>		<b>167,673</b>	<b>(5,715)</b>
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed (net)		131,301	(1,245)
<b>Net income / (loss) for the year / period before taxation</b>		<b>298,974</b>	<b>(6,960)</b>
Taxation	20	-	-
<b>Net income / (loss) for the year / period after taxation</b>		<b>298,974</b>	<b>(6,960)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year / period</b>		<b>298,974</b>	<b>(6,960)</b>

The annexed notes 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




# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	<b>Year ended June 30, 2013</b>	Period from May 18, to June 30, 2012
	<b>(Rupees in '000)</b>	
Accumulated loss brought forward		
- Realised	(1,720)	-
- Unrealised	(5,240)	-
	<u>(6,960)</u>	<u>-</u>
Net income / (loss) for the year / period	<b>298,974</b>	(6,960)
Undistributed income / accumulated (loss) carried forward	<u><b>292,014</b></u>	<u>(6,960)</u>
Undistributed income / accumulated (loss) carried forward		
- Realised	<b>184,682</b>	(1,720)
- Unrealised	<b>107,332</b>	(5,240)
	<u><b>292,014</b></u>	<u>(6,960)</u>

The annexed notes 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 UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2013

	Year ended June 30, 2013	Period from May 18, to June 30, 2012
	(Rupees in '000)	
Net assets at beginning of the year / period	289,484	-
Issue of 11,808,987 units (June 30, 2012: 5,943,901 units)	759,491	295,918
Redemption of 5,400,208 units (June 30, 2012: 15,019 units)	(315,244)	(719)
	444,247	295,199
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(131,301)	1,245
Net realised gain / (loss) on sale of investments	45,256	(286)
Unrealised gain / (loss) on re-measurement of investments 'at fair value through profit or loss' (net)	107,332	(5,240)
Total other comprehensive income for the year / period	146,386	(1,434)
Net assets at end of the year / period	<u>901,404</u>	<u>289,484</u>
	(Rupees)	
Net assets value per unit at beginning of the year / period	<u>48.83</u>	-
Net assets value per unit at end of the year / period	<u>73.06</u>	48.83

The annexed notes 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, 2013

Note	Year ended June 30, 2013	Period from May 18, to June 30, 2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year / period	298,974	(6,960)
<b>Adjustments for:</b>		
Amortisation of preliminary expenses and floatation costs	403	40
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss (net)	(107,332)	5,240
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed (net)	(131,301)	1,245
	<u>60,744</u>	<u>(435)</u>
<b>Increase in assets</b>		
Investments (net)	(499,508)	(295,298)
Dividend receivable	(358)	(463)
Deposits and other receivables	(773)	(2,657)
	<u>(500,639)</u>	<u>(298,418)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	(4,010)	4,031
Payable to Central Depository Company of Pakistan Limited - Trustee	90	58
Payable to Securities and Exchange Commission of Pakistan	361	24
Payable against purchase of investments	1,318	3,170
Accrued expenses and other liabilities	5,859	437
	<u>3,618</u>	<u>7,720</u>
<b>Net cash (used in) from operating activities</b>	<u>(436,277)</u>	<u>(291,133)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units	759,491	295,918
Payment against redemption of units	(312,040)	(719)
<b>Net cash inflow from financing activities</b>	<u>447,451</u>	<u>295,199</u>
Net increase in cash and cash equivalents during the year / period	11,174	4,066
Cash and cash equivalents at beginning of the year / period	4,066	-
Cash and cash equivalents at end of the year / period	4 <u>15,240</u>	<u>4,066</u>

The annexed notes 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 THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2013

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** KSE Meezan Index Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on March 13, 2012 and was approved by Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund is a Shariah Compliant Index Fund that aims to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listing on Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Management Company of the Fund has been given quality rating of AM2 by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

### 2. BASIS OF PRESENTATION

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

#### 2.1 Statement of compliance

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

## 2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except that investments classified as 'at fair value through profit or loss' and 'available for sale' 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 the financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of financial instruments (notes 3.1 and 5)
- b) Impairment of financial instruments (note 3.1.5)
- c) Amortisation of preliminary expenses and floatation costs (notes 3.8 and 7)
- d) Recognition of provision for Workers' Welfare Fund (note 15)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July, 1 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Assets and Liabilities or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on the financial statements of the Fund.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Financial instruments

##### 3.1.1 Classification

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

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

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

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

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

##### (b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

**(c) Loans and receivables**

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

**(d) Available for sale**

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

**3.1.2 Recognition**

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

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

**3.1.3 Measurement**

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

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

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

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

**3.1.4 Fair value measurement principles**

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

**3.1.5 Impairment of financial assets**

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 investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, 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 removed from other comprehensive income and recognised in the Income Statement.

### **3.1.6 Derecognition**

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

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

### **3.1.7 Regular way contract**

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

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

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

## **3.2 Transactions involving outright purchase of security in the ready market and sale of that security on deferred settlement basis**

The Fund enters into certain transactions involving purchase of security in the ready market and sale of the same security on deferred settlement basis. Securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities, till eventual disposal, in accordance with the accounting policy specified in note 3.1 above, and sale of those securities in the futures market is accounted for separately as financial instruments sold on deferred settlement basis as explained in note 3.3 below.

## **3.3 Financial instruments sold on deferred settlement basis**

Financial instruments sold on deferred settlement basis are initially recognised at fair value on the date on which a deferred sale contract is entered into and are subsequently remeasured at their fair value. All financial instruments sold on deferred settlement basis are carried as assets when fair value is positive and as liabilities when fair value is negative.

## **3.4 Unitholders' funds**

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

## **3.5 Issuance and redemption of units**

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

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

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

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

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

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

### **3.7 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.

### **3.8 Preliminary expenses and floatation costs**

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

### **3.9 Net assets value per unit**

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

### **3.10 Taxation**

#### *Current*

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders.

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.

### *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.

However, the Fund intends to avail the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

### **3.11 Revenue recognition**

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets at 'fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Dividend income is recognised when the Fund's right to receive the same is established i.e on the date of book closure of the investee company / institution declaring the dividend.
- (iv) Profit on bank deposits is recognised on time proportion basis using effective yield method.

### **3.12 Expenses**

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

### **3.13 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.

### **3.14 Cash and cash equivalents**

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

### **3.15 Distribution**

Distribution including bonus units are recognized in the year in which they are approved.

4. BALANCES WITH BANKS	Note	2013 (Rupees in '000)	2012
On current accounts		318	1,318
On saving accounts	4.1	<u>14,922</u>	<u>2,748</u>
		<u>15,240</u>	<u>4,066</u>

4.1 The balances in saving accounts have an expected profit ranging from 5.65% to 8.75% per annum (2012: 5.65% to 12% per annum).

## 5. INVESTMENTS

Investments at 'fair value through profit or loss' - Held for trading	5.1	<u>896,898</u>	<u>290,058</u>
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### 5.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of total market value of investments %
	-----Number of shares-----					-----Rupees in '000-----			
<b>Automobile and Parts</b>									
Indus Motor Company Limited	16,897	30,596	-	12,512	34,981	10,495	10,879	384	1.21
Millat Tractors Company Limited	12,733	23,787	905	8,665	28,760	14,235	15,099	864	1.68
Pak Suzuki Motor Company Limited	-	46,160	-	7,800	38,360	4,679	5,705	1,026	0.63
									3.52
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	78,259	12,680	-	90,939	-	-	-	-	0.00
<b>Chemicals</b>									
Clariant Pakistan Limited	6,473	12,200	-	18,673	-	-	-	-	0.00
Fauji Fertilizer Bin Qasim Limited	284,682	481,785	-	183,447	583,020	22,863	21,887	(976)	2.44
Fauji Fertilizer Company Limited	276,985	750,683	-	177,167	850,501	96,339	91,369	(4,970)	10.19
ICI Pakistan Limited	16,682	34,174	-	25,908	24,948	3,795	4,152	357	0.46
Lotte Chemical Pakistan Limited (formerly Lotte Pakistan PTA Limited)	327,391	980,507	-	637,065	670,833	5,069	5,112	43	0.57
									13.66
<b>Construction and Materials</b>									
Akzo Nobel Pakistan Limited	8,389	-	-	8,389	-	-	-	-	0.00
Attock Cement Pakistan Limited	14,984	39,678	2,225	21,087	35,800	4,803	4,725	(78)	0.53
Cherat Cement Company Limited	-	129,000	-	18,600	110,400	5,992	6,424	432	0.72
D.G. Khan Cement Company Limited	209,393	354,194	-	134,434	429,153	27,262	35,916	8,654	4.00
Kohat Cement Company Limited	-	46,500	-	1,000	45,500	3,807	3,905	98	0.44
Lafarge Pakistan Cement Limited	-	717,500	-	12,500	705,000	5,750	5,985	235	0.67
Lucky Cement Limited	112,541	189,051	-	71,102	230,490	36,723	48,338	11,615	5.39
Maple Leaf Cement Factory Limited	-	332,500	-	4,000	328,500	7,817	7,204	(613)	0.80
									12.55
<b>Electricity</b>									
Karachi Electric Supply Corporation Limited	-	5,236,500	-	307,400	4,929,100	32,750	30,659	(2,091)	3.42
Hub Power Company Limited	805,086	1,194,093	-	561,217	1,437,962	74,078	88,650	14,572	9.88
									13.30

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of total market value of investments %
	-----Number of shares-----				-----Rupees in '000-----				
<b>Fixed Line Telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	509,414	853,827	-	316,918	1,046,323	19,449	23,218	3,769	2.59
<b>Food Products</b>									
Habib Sugar Mills Limited	26,090	5,605	-	31,695	-	-	-	-	0.00
Engro Foods Limited	-	230,000	-	25,899	204,101	25,903	28,731	2,828	3.20
Unilever Pakistan Limited (note 5.1.1)	2,409	1,911	-	4,320	-	-	-	-	0.00
									3.20
<b>General Industrials</b>									
Packages Limited	-	52,600	-	200	52,400	12,776	11,705	(1,071)	1.31
Thal Limited (note 5.1.1)	18,877	5,808	1,804	26,489	-	-	-	-	0.00
Tri-Pack Films Limited	7,886	1,343	-	9,229	-	-	-	-	0.00
									1.31
<b>Industrial Transportation</b>									
Pakistan International Container Terminal Limited	18,897	3,167	-	22,064	-	-	-	-	0.00
<b>Personal Goods</b>									
Nishat Mills Limited	-	353,400	-	40,400	313,000	25,258	29,488	4,230	3.29
<b>Oil and Gas</b>									
Attock Petroleum Limited	11,877	18,132	-	30,009	-	-	-	-	0.00
Attock Refinery Limited	26,086	44,779	-	17,680	53,185	9,334	9,177	(157)	1.02
Mari Petroleum Company Limited (formerly Mari Gas Company Limited)	16,006	28,407	-	11,868	32,545	3,535	4,445	910	0.50
National Refinery Limited	22,037	40,376	-	17,162	45,251	10,354	10,886	532	1.21
Oil and Gas Development Company Limited (note 5.1.2)	206,219	381,076	-	129,001	458,294	89,461	104,835	15,374	11.69
Pakistan Oilfields Limited	93,954	157,787	-	59,177	192,564	86,435	95,776	9,341	10.68
Pakistan Petroleum Limited	189,161	431,537	46,007	133,415	533,290	97,159	112,833	15,674	12.58
Pakistan Refinery Limited	10,287	2,300	-	12,587	-	-	-	-	0.00
Pakistan State Oil Company Limited	67,960	153,903	25,091	77,646	169,308	34,252	54,243	19,991	6.05
Shell Pakistan Limited	14,586	26,427	-	10,915	30,098	4,265	4,309	44	0.48
									44.21
<b>Multiutilities (Gas and Water)</b>									
Sui Northern Gas Pipeline Limited	125,503	175,425	7,303	308,231	-	-	-	-	0.00
Sui Southern Gas Company Limited	-	334,000	-	334,000	-	-	-	-	0.00
									0.00
<b>Pharma and Bio Tech</b>									
Glaxo Smithkline Pakistan Limited	35,227	65,717	4,520	24,941	80,523	6,043	9,770	3,727	1.09
Abbott Laboratories (Pakistan) Limited	-	40,100	-	5,130	34,970	8,885	11,473	2,588	1.28
									2.37
						<b>789,566</b>	<b>896,898</b>	<b>107,332</b>	
<b>Total cost of investments - 'held for trading'</b>							<b>794,806</b>		

**5.1.1** All shares have a nominal value of Rs 10 each except for the share of Thal Limited which has a face value of Rs 5 each and the shares of Unilever Pakistan Limited which has a face value of Rs 50 each.

**5.1.2** 62,000 shares (2012: 62,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 14.183 million as at June 30, 2013 (2012: Rs. 9.947 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

	Note	2013 (Rupees in '000)	2012
<b>6. DEPOSITS AND OTHER RECEIVABLES</b>			
Profit receivable on saving accounts with banks		827	157
Security Deposits		2,603	2,500
		3,430	2,657

**7. PRELIMINARY EXPENSES AND FLOATATION COSTS**

Preliminary expenses and floatation costs	7.1	1,973	2,013
Less: Amortisation during the year / period		403	40
		1,570	1,973

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

	Note	2013 (Rupees in '000)	2012
<b>8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company</b>			
Management fee	8.1	741	216
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	190	35
Sales load payable		849	1,139
Sindh Sales Tax and Federal Excise Duty on sales load	8.2 & 8.3	254	81
Formation cost		-	2,013
Others		-	2,560
		2,034	6,044

**8.1** Under the provisions of NBFC Regulations, 2008, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company and sales load has been charged at the rate of one percent per annum.

**8.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from July 1, 2011.

**8.3** With effect from June 13, 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company and sale load through Finance Act, 2013.

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

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

The remuneration of the trustee for the year ended June 30, 2013 and period from May 18, 2012 to June 30, 2012 has been calculated as per the following applicable tariff:

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

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

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 Regulations.

	Note	2013 (Rupees in '000)	2012
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		160	90
Brokerage payable		617	180
Withholding tax payable		91	3
Charity payable	11.1	496	15
Workers' Welfare Fund (WWF) payable	15	4,925	-
Zakat Payable		7	-
Profit payable to Pre IPO investors		-	149
		<u>6,296</u>	<u>437</u>

**11.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 0.496 million is outstanding in this regard.

	2013 (Number of units)	2012
<b>12. NUMBER OF UNITS IN ISSUE</b>		
<b>12.1</b> The movement in number of units in issue during the year / period is as follows:		
Total units in issue at the beginning of the year / period	5,928,882	-
Add: units issued during the year / period	11,808,987	5,943,901
Less: units redeemed during the year / period	(5,400,208)	(15,019)
Total units in issue at the end of the year / period	<u>12,337,661</u>	<u>5,928,882</u>

**12.2** The Fund may issue the following classes of units:

<b>Class</b>	<b>Description</b>
A	Units that shall be charged with no sales load.
B	Units that shall be charged with front-end load.
C	Units that shall be charged with back-end load.
D	Units that shall be charged with contingent load.

**12.3** Management Company of the Fund may issue the following types of units:

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unitholders shall also be the growth units.
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

<b>Year ended June 30, 2013</b>	<b>Period from May 18, to June 30, 2012</b>
<b>(Rupees in '000)</b>	

**13. AUDITORS' REMUNERATION**

Audit fee	<b>100</b>	30
Half yearly review	<b>75</b>	-
Other certifications and services	<b>60</b>	20
Out of pocket expenses	<b>10</b>	-
	<b>245</b>	50

**14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

The 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 and Al Meezan Mutual Fund, Meezan Islamic Income Fund, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - II, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Balanced Fund and Meezan Financial Planning Fund of Funds being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Employees' Gratuity Fund and Al Meezan Investment Management Limited - Staff Provident Fund.

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

Remuneration payable to the Management Company and the trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations, 2008 and the trust deed respectively.

Details of transactions with connected persons and balances with them for the year ended June 30, 2013 are as follows:



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

**2013**                      **2012**  
**(Rupees in '000)**

Remuneration payable	<u>741</u>	<u>216</u>
Sindh Sales Tax and Federal Excise Duty on management fee payable	<u>190</u>	<u>35</u>
Sales load payable	<u>849</u>	<u>1,139</u>
Sindh sales tax payable on sales load	<u>254</u>	<u>81</u>
Formation cost payable	<u>-</u>	<u>2,013</u>
Other payable	<u>-</u>	<u>2,560</u>
Investments as at June 30, 2013: 3,217,996 units (June 30, 2012: 2,030,851 units)	<u><b>235,107</b></u>	<u>99,166</u>

**Meezan Bank Limited - Shariah Advisor**

Bank balance	<u>2,927</u>	<u>2,493</u>
Investment in Nil shares as at June 30, 2013 (June 30, 2012: 78,259 shares)	<u>-</u>	<u>2,263</u>
Investments as at June 30, 2013: 1,436,699 units (June 30, 2012: Nil units)	<u><b>104,966</b></u>	<u>-</u>
Profit receivable on saving accounts	<u>-</u>	<u>3</u>

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

Trustee fee payable	<u>148</u>	<u>58</u>
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**Directors and executives of the Management Company**

Investments as at June 30, 2013: 912,352 units (June 30, 2012: 20,020 units)	<u>66,656</u>	<u>978</u>
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**Year ended**                      **Period from**  
**June 30,**                      **May 18, to**  
**2013**                      **June 30, 2012**

**Al Meezan Investment Management Company Limited -****(Rupees in '000)****Management Company**

Remuneration for the year / period	<u>4,051</u>	<u>253</u>
Sindh Sales Tax and Federal Excise Duty on management fee for the year / period	<u>719</u>	<u>40</u>
Units issued: 2,067,566 units (2012: 2,030,851 units)	<u>131,900</u>	<u>101,500</u>
Redemption: 880,420 units (2012: Nil units)	<u>50,114</u>	<u>-</u>

**Meezan Bank Limited - Shariah Advisor**

Profit on saving account	<u>89</u>	<u>10</u>
12,680 shares purchased (June 30, 2012: 78,259 shares)	<u>356</u>	<u>2,125</u>
90,939 shares sold (June 30, 2012: Nil shares)	<u>2,702</u>	<u>-</u>
Units issued: 1,436,699 units (2012: Nil units)	<u>100,000</u>	<u>-</u>

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

Remuneration Fee	<u>792</u>	<u>69</u>
CDS charges	<u>46</u>	<u>4</u>

**Directors and executives of the Management Company**

Units issued: 892,332 units (2012: 20,020 units)	<u>58,001</u>	<u>1,001</u>
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## 15. CONTINGENCIES AND COMMITMENTS

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

Prior to 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF. This clarification was forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its collectorates for necessary action. Based on this clarification, FBR also withdrew notice of demand which it had earlier issued to one of the funds managed by Al Meezan Investment Management Limited for collection of WWF.

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

The Management Company believes that the aforementioned constitutional petition pending in SHC has strong grounds for decision in favour of the mutual funds. Accordingly, the management has not recognised WWF charge upto December 31, 2012 amounting to Rs. 1.03 million. Had the same been made, the net asset value per unit of the Fund would have been lower by Rs 0.08 (0.11%).

However, the management as a matter of abundant caution has recognised WWF charge for the period from January 1, 2013 to June 30, 2013 amounting Rs 4.925 million.

There were no other contingencies and commitments outstanding as at June 30, 2013.

## 16. FINANCIAL INSTRUMENTS BY CATEGORY

	2013				Total
	Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----					
<b>On balance sheet - financial assets</b>					
Balances with banks	15,240	-	-	-	15,240
Investments	-	896,898	-	-	896,898
Dividend receivable	821	-	-	-	821
Deposits and other receivables	3,430	-	-	-	3,430
	<u>19,491</u>	<u>896,898</u>	<u>-</u>	<u>-</u>	<u>916,389</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - Management Company	-	-	-	2,034	2,034
Payable to CDC - Trustee	-	-	-	148	148
Payable on redemption and conversion of units	-	-	-	3,204	3,204
Accrued expenses and other liabilities	-	-	-	1,273	1,273
Payable against purchase of investments	-	-	-	4,488	4,488
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,147</u>	<u>11,147</u>
----- (Rupees in '000) -----					
2012					
	Loans and receivables	Financial assets at 'fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
----- (Rupees in '000) -----					
<b>On balance sheet - financial assets</b>					
Balances with banks	4,066	-	-	-	4,066
Investments	-	290,058	-	-	290,058
Dividend receivable	463	-	-	-	463
Deposits and other receivables	2,657	-	-	-	2,657
	<u>7,186</u>	<u>290,058</u>	<u>-</u>	<u>-</u>	<u>297,244</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - Management Company	-	-	-	6,044	6,044
Payable to CDC - Trustee	-	-	-	58	58
Payable against purchase of investments	-	-	-	3,170	3,170
Accrued expenses and other liabilities	-	-	-	434	434
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,706</u>	<u>9,706</u>

## 17. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

### 17.1 Credit risk

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

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

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Further, all transactions in securities are settled through approved brokers, thus the risk of default is considered to be minimal. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

	Note	2013 (Rupees in '000)	2012
<b>Financial Assets</b>			
Balances with banks		15,240	4,066
Dividend receivable		821	463
Deposits and other receivables		3,430	2,657
		<u>19,491</u>	<u>7,186</u>

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

	<b>2013</b> (%)	2012 (%)
AAA	<b>0.06</b>	-
AA+	<b>80.11</b>	38.44
AA	<b>19.21</b>	-
AA-	-	61.31
A	<b>0.62</b>	0.25
	<b>100.00</b>	100.00

None of the financial assets were considered to be past due or impaired as on 30 June 2013.

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

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

## 17.2 Liquidity risk

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

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

In accordance with regulation 58(1)(k) of the NBFC Regulations the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 135.211 million as on June 30, 2013 (2012 Rs 43.423 million). 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 requests to the next dealing day, had such requests exceed ten percent of the total number of units in issue.

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2013 along with comparative is tabulated below:

	2013				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	----- (Rupees in '000) -----				
Payable to Al Meezan - Management Company	2,034	-	-	-	2,034
Payable to CDC - Trustee	148	-	-	-	148
Payable against purchase of investments	4,488	-	-	-	4,488
Payable on redemption and conversion of units	3,204	-	-	-	3,204
Accrued expenses and other liabilities	1,273	-	-	-	1,273
	<u>11,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,147</u>
	----- (Rupees in '000) -----				
	2012				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
	----- (Rupees in '000) -----				
Payable to Al Meezan - Management Company	6,044	-	-	-	6,044
Payable to CDC - Trustee	58	-	-	-	58
Payable against purchase of investments	3,170	-	-	-	3,170
Accrued expenses and other liabilities	434	-	-	-	434
	<u>9,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,706</u>

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

### 17.3 Market risk

#### 17.3.1 Price risk

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

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

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

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these financial statements. At June 30, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index 30 index (KMI).

The net assets of the Fund will increase / decrease by Rs 8.969 million (2012: 2.901 million) if the prices of equity vary due to increase / decrease in KMI 30 Index by 1% with all other factors held constant.

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

### 17.3.2 Interest rate risk

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

#### *Cash flow interest rate risk*

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

During the year ended June 30, 2013, the net income would have increased / (decreased) by Rs 0.149 million (2012: Rs 0.027 million) had the interest rates on profit and loss saving accounts increased / (decreased) by 100 basis points.

#### *Fair value interest rate risk*

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

## 18. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

In accordance with the risk management policies stated in the note 17, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

- Level 1: Quoted market price (unadjusted) in active markets for an identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- 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 as at June 30, 2013:



Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments 'at fair value through profit or loss' - Held for trading</b>				
- Equity securities	<u>896,898</u>	<u>-</u>	<u>-</u>	<u>896,898</u>
	<u>896,898</u>	<u>-</u>	<u>-</u>	<u>896,898</u>

During the year ended June 30, 2013, no transfers were made between the aforementioned levels.

The following table presents the assets that are measured at fair value as at June 30, 2012:

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments 'at fair value through profit or loss' - Held for trading</b>				
- Equity securities	<u>290,058</u>	<u>-</u>	<u>-</u>	<u>290,058</u>
	<u>290,058</u>	<u>-</u>	<u>-</u>	<u>290,058</u>

During the period from May 18, 2012 to June 30, 2012, no transfers were made between the aforementioned levels.

## 20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current year as the management company has distributed sufficient income of the Fund for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unitholders to avail exemption subsequent to year end (refer note 26).

	2013	2012
<b>21. PERFORMANCE TABLE</b>		
Net assets (Rs '000) (ex-distribution)*	<b>901,404</b>	289,484
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)*	<b>57.56</b>	48.83
Offer price per unit as at June 30 (Rs.) (ex-distribution)*	<b>59.27</b>	50.12
Highest offer price per unit (Rs.)	<b>79.42</b>	51.49
Lowest offer price per unit (Rs.)	<b>52.15</b>	48.82
Highest redemption price per unit (Rs.)	<b>77.12</b>	50.17
Lowest redemption price per unit (Rs.)	<b>50.64</b>	47.57
<b>Distribution (%)</b>		
- Annual	<b>31%</b>	-
Growth distribution (Rupees in '000)	<b>191,234</b>	-
Total return (%)	<b>49.62</b>	(2.34)
	<b>One Year</b>	Two Year
Average annual return (%) as at June 30, 2013	<b>49.62%</b>	20.88%

\* The distribution is not accounted for in these financial statements as also explained in note 26.

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.

## 22. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
1 Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty three years
2 Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
3 Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Nine years
4 Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Six years
5 Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Four years
6 Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Six years

22.2 The Fund manager of the Fund is Mr. Gohar Rasool. Other Fund being managed by the Fund manager is Al Meezan Mutual Fund.

### 23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 9, 2012	September 21, 2012	October 19, 2012	January 21, 2013	April 19, 2013	June 17, 2013
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	No	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	No	Yes	No	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes

### 24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2013 %
1 Global Securities (Private) Limited	12.44
2 Topline Securities (Private) Limited	11.85
3 Standard Capital Securities (Private) Limited	11.48
4 Ample Securities (Private) Limited	11.10
5 Foundation Securities (Private) Limited	10.73
6 Shajar Capital Pakistan (Private) Limited	8.18
7 Optimus Capital Management Limited	7.50
8 Fortune Securites (Private) Limited	7.44
9 Aba Ali Habib Securities (Private) Limited	6.36
10 BMA Capital Management Limited	4.52

Broker's Name	2012 %
1 Optimus Capital Management Limited	12.60
2 Elixir Securities (Private) Limited	10.99
3 KASB Securities Limited	10.99
4 Ample Securities (Private) Limited	9.38
5 Topline Securities (Private) Limited	9.38
6 Global Securities (Private) Limited	9.12
7 Taurus Securities Limited	8.58
8 BMA Capital Management Limited	8.58
9 Foundation Securities (Private) Limited	8.58
10 Invest Capital Investment Bank Limited	3.75

### 25. PATTERN OF UNIT HOLDING

	2013		
	Number of Investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	355	301,581	33.46
Associated companies / directors	3	403,587	44.77
Insurance companies	1	23,201	2.57
Retirement funds	2	108,328	12.02
Others	12	64,707	7.18
	<b>373</b>	<b>901,404</b>	<b>100.00</b>

	2012		Percentage of total investment
	Number of Investors	Investment amount	
	(Rupees in '000)		
Individuals	194	109,610	37.86
Associated companies / directors	2	100,135	34.59
Insurance companies	1	9,764	3.37
Retirement funds	2	29,882	10.32
Public limited companies	6	27,343	9.45
Others	6	12,750	4.41
	211	289,484	100.00

## 26. NON ADJUSTING EVENT

The Board of Directors in its meeting held on July 8, 2013 has announced a final dividend of 31% (Rs. 15.50 per unit) (2012: Nil) amounting to Rs 191.234 million (2012: Rs Nil) which includes 3,322,338 bonus units (2012: Nil). The financial statements for the year ended June 30, 2013 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2014.

## 27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Management Company.

## 28. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

# PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

Units held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	3,217,996	26.08
Meezan Bank Limited	1,436,699	11.64
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	869,265	7.05
<b>Executives</b>	43,087	0.35
<b>Banks and financial institutions</b>	317,550	2.57
<b>Individuals</b>	4,084,710	33.11
<b>Retirements funds</b>	1,482,698	12.02
<b>Other corporate sector entities</b>	885,656	7.18
<b>Total</b>	<b>12,337,661</b>	<b>100.00</b>



HAVE PLAYED IT SAFE...  
YET MY INCOME IS GREAT



# 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  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)	Allied Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking	Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking	Faysal Bank Limited
Dubai Islamic Bank Pakistan Limited	Habib Metropolitan Bank Limited - Islamic Banking
HLB - Islamic Banking	Meezan Bank Limited
MCB Bank Limited - Islamic Banking	UBL Ameen Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking	

## LEGAL ADVISER

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi - 75530  
Phone: (9221) 3565 7658-59 Fax: (9221) 3565 7673  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi.  
Phone: 32062891 Fax: 32552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

# REPORT OF THE FUND MANAGER

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

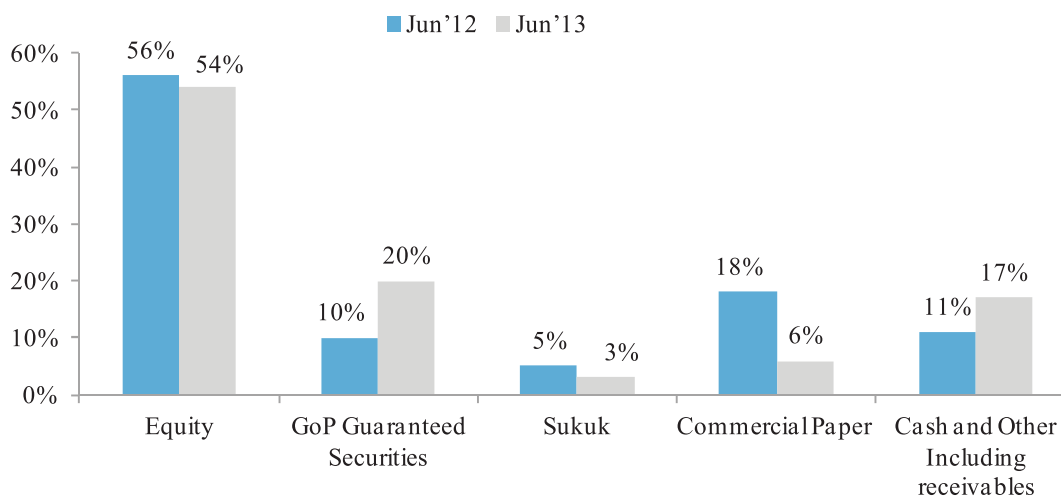
The Fund's primary objective is to provide investors with a competitive and stable rate of current income in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide the investors with a rate of total return consistent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

## Strategy, Investment policy and asset allocation

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

During the year, the focus was on proactive and continuous reallocation between high yield instruments, so as to maximize fund yield, while maintaining a balance within the risk management constraints. In this connection, funds maturing from corporate Sukuks were deployed in government Ijarah Sukuks or reinvested in similar corporate sukuks of high credit quality. To manage interest rate risk and meet liquidity objectives, the fund manager during the period has kept the duration below six months.

## Sector Allocation for the year ended FY12 and FY13



## Performance Review

During the fiscal year 2013, Meezan Islamic Income Fund (MIIF) provided a full year return of 14.45% as compared to its benchmark return of 5.54%. The fund mainly benefitted from principal repayments especially with regards to Maple Leaf Cement sukuks. In line with the booming cement and construction sector, Maple Leaf Sukuk, for which provisioning had been carried out in FY'12 on a conservative note, started performing, though it is still being maintained in the non-performing category in line with the guidelines of SECP Circular 33 of 2012. As of year-end, the fund was invested 13% in Islamic Corporate Sukuks, 34% in GoP Ijarah Sukuk, 8% in Islamic commercial paper and 37% in Islamic Banks.



The Fund during the year earned a gross income of Rs. 269 million, which was primarily due to profit on sukuks certificates amounting worth Rs. 163 million. Cash in saving accounts at Islamic banks contributed Rs. 60 million while realized gain on sale of sukuks certificates was Rs. 30 million. On the other side, the fund incurred unrealized loss worth Rs. 1 million; in addition, a reversal of provision of Rs. 17 million was incurred in the sukuks. The fund also incurred expenses totaling to Rs. 41 million and element of income and capital gains of Rs. 61 million, which brought the net income figure to Rs. 289 million.

The net assets of the fund stood at Rs. 2,645 million at the end of fiscal year 2013 as compared to Rs. 1,209 million the year before. The net asset value (NAV) per unit appreciated to Rs. 53.95 during the fiscal year.

	MIIF	Islamic Bank Deposits
Net Asset Value as on June 30, 2013	53.95	
Net Asset Value as on June 30, 2012	49.93	
Return for the year	14.45%	5.54%
Outperformance	8.91%	

### Fund Rating

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

### Distributions

The Board of Directors in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 3.75 per unit (7.5%) out of the profits of the Fund for the year ended June 30, 2013. The final distribution is in addition to the interim distributions amounting to Rs. 3.00 per unit (6%) during the fiscal year. This brings total distribution for the year to 13.50%

### Unitholder Break down:

Range of units	Number of unitholders
1 to 10,000	1273
Between 10,001 to 50,000	364
Between 50,001 to 100,000	61
Between 100,001 to 500,000	52
Between 500,001 and above	19
<b>Total</b>	<b>1769</b>



## Meezan Bank

The Premier Islamic Bank

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

August 20, 2013/ Shawwal 12, 1434

**Alhamdulillah**, the period from July 01, 2012 to June 30, 2013 was the seventh year of operations of Meezan Islamic Income Fund (MIIF) 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 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, 2013 have been in compliance with *Shari'ah* principles.

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

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

**Meezan Bank Ltd.**  
Meezan House. C-25, Estate Avenue, SITE, Karachi - Pakistan.  
Tel : (92-21) 38103500, Fax : (92-21) 36406049 [www.meezanbank.com](http://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 ISLAMIC INCOME FUND**

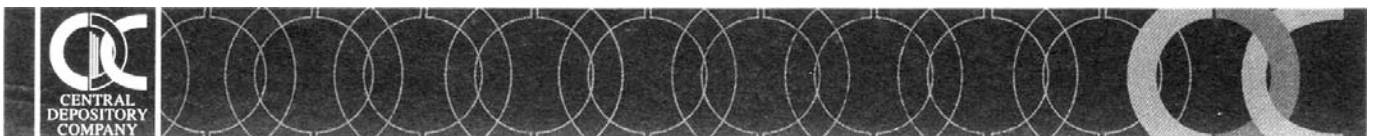
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2013 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 23, 2013



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Limited (Formerly Karachi Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 23, 2013



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

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

### **Review Report to the Unitholders' of Meezan Islamic Income Fund ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited), where the Fund is listed.

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

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

Further, Listing Regulations notified by the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

**Date: 23 August 2013**

**Karachi**

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

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



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Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

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

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Islamic Income Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *Other Matters*


The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of Chartered Accountants, who vide their report dated 19 October 2012, addressed to the Unitholders, had expressed an unmodified opinion thereon.

### *Report on Other Legal and Regulatory Requirements*

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

**Date: 23 August 2013**

**Karachi**

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

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

# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Assets</b>			
Balances with banks	4	1,158,459	314,009
Investments	5	1,502,925	904,288
Deposits and other receivables	6	50,596	28,091
<b>Total assets</b>		<b>2,711,980</b>	<b>1,246,388</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	7,777	1,921
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	242	154
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	1,286	1,438
Payable to Meezan Bank Limited (MBL)		97	96
Payable on redemption and conversion of units		27,549	9,100
Accrued expenses and other liabilities	10	30,349	24,715
<b>Total liabilities</b>		<b>67,300</b>	<b>37,424</b>
<b>Net assets</b>		<b>2,644,680</b>	<b>1,208,964</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund (as per statement attached)</b>		<b>2,644,680</b>	<b>1,208,964</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>	13	<b>49,019,878</b>	<b>23,294,657</b>
<b>(Rupees)</b>			
<b>Net assets value per unit</b>		<b>53.95</b>	<b>51.90</b>

The annexed notes 1 to 29 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, 2013

	Note	2013 (Rupees in '000)	2012
<b>Income</b>			
Profit on saving accounts with banks (net)	14	59,813	53,559
Profit on sukuk certificates		162,915	236,338
Realised gain on sale of sukuk certificates		30,413	23,273
Other income		45	-
		<b>253,186</b>	<b>313,170</b>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)			
	5.1.1 & 5.1.5	(1,384)	5,381
Reversal / (provision) against sukuk certificates (net)	5.1.11	17,064	(110,619)
Provision for accrued profit on investments		-	(38,562)
		<b>15,680</b>	<b>(143,800)</b>
<b>Total income</b>		<b>268,866</b>	<b>169,370</b>
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - Management Company	7.1	25,712	28,759
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	4,412	4,601
Remuneration to Central Depository Company of Pakistan Limited - Trustee	8	2,307	2,482
Annual fee to Securities and Exchange Commission of Pakistan	9	1,286	1,438
Auditors' remuneration	15	554	582
Fees and subscription		272	255
Legal and professional charges		-	15
Amortisation of premium on 'available for sale' investments		3	-
Brokerage		71	87
Bank and settlement charges		82	89
Provision for Workers' Welfare Fund (WWF)	12	5,775	23,226
Printing expense		149	149
<b>Total Expenses</b>		<b>40,623</b>	<b>61,683</b>
<b>Net income from operating activities</b>		<b>228,243</b>	<b>107,687</b>
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed (net)		60,526	(16,795)
<b>Net income for the year before taxation</b>		<b>288,769</b>	<b>90,892</b>
Taxation	21	-	-
<b>Net income for the year after taxation</b>		<b>288,769</b>	<b>90,892</b>
<b>Items can be reclassified to income statement in subsequent periods</b>			
<b>Other comprehensive income for the year</b>			
Surplus realised on disposal of 'available for sale investments' transferred to income statement		-	1,563
<b>Total comprehensive income for the year</b>		<b>288,769</b>	<b>92,455</b>

The annexed notes 1 to 29 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

# DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in '000)	
Undistributed income brought forward		
- Realised	<b>459,693</b>	327,221
- Unrealised	<b>(413,873)</b>	(272,914)
	<b>45,820</b>	54,307
Net income for the year	<b>288,769</b>	90,892
Less: Final distribution on July 9, 2012		
- bonus units @ 3.94% (Rs 1.97 per unit) (June 30, 2011: Re 1 per unit)	<b>(39,603)</b>	(23,672)
- cash dividend @ 3.94% (Rs 1.97 per unit) (June 30, 2011: Re 1 per unit)	<b>(6,288)</b>	(26,112)
Less: Interim distribution on December 21, 2012		
- bonus units @ 6% (Rs 3 per unit) (December 31, 2011: Rs Nil)	<b>(81,483)</b>	-
- cash dividend @ 6% (Rs 3 per unit) (December 31, 2011: Rs Nil)	<b>(10,138)</b>	-
Less: Interim distribution for the period ended March 31, 2013		
- bonus units @ Rs Nil (March 31, 2012: Rs 2 per unit)	-	(36,470)
- cash dividend @ Rs Nil (March 31, 2012: Rs 2 per unit)	-	(12,788)
Element of loss and capital losses included in prices of units sold less those in units redeemed (net) realised on disposal of 'available for sale investments' transferred to Income Statement	-	(337)
	<b>151,257</b>	(8,487)
Undistributed income carried forward	<b>197,077</b>	45,820
Undistributed income carried forward		
- Realised	<b>181,397</b>	459,693
- Unrealised	<b>15,680</b>	(413,873)
	<b>197,077</b>	45,820

The annexed notes 1 to 29 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, 2013

	2013 (Rupees in '000)	2012
Net assets at beginning of the year	1,208,964	2,541,935
Issue of 49,288,233 units (June 30, 2012: 9,525,603 units)	<b>2,585,133</b>	485,161
Redemption of 25,963,948 units (June 30, 2012: 37,215,426 units)	<b>(1,361,234)</b>	(1,888,482)
	<b>1,223,899</b>	(1,403,321)
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed (net)	<b>(60,526)</b>	16,795
Issuance of 2,400,936 bonus units (2012: 1,200,673 bonus units)	<b>121,086</b>	60,142
Net realised gain on sale of sukuk certificates	<b>30,413</b>	23,273
Unrealised diminution in value of investments (net)	<b>15,680</b>	(143,800)
Total other comprehensive income for the year	<b>242,676</b>	212,982
Distribution for the year ended June 30, 2012		
- Issue of 793,166 bonus units (June 30, 2011: 472,871 units)	<b>(39,603)</b>	(23,672)
- Cash dividend @ 3.94% (Rs 1.97 per unit) (June 30, 2011: Re 1 per unit)	<b>(6,288)</b>	(26,112)
Distribution for the period ended December 31, 2012		
- Issue of 1,607,770 bonus units (December 31, 2011: Nil units)	<b>(81,483)</b>	-
- Cash dividend @ 6% (Rs 3 per unit) (December 31, 2011: Rs Nil)	<b>(10,138)</b>	-
Distribution for the period ended March 31, 2013		
- Issue of Nil bonus units (March 31, 2012: 727,802 units)	-	(36,470)
- Cash dividend @ Rs Nil (March 31, 2012: Rs 2 per unit)	-	(12,788)
<b>Net income for the year less distribution</b>	<b>151,257</b>	(6,587)
Net assets at end of the year	<b>2,644,680</b>	1,208,964
	<b>(Rupees)</b>	
Net asset value per unit as at beginning of the year	<b>51.90</b>	51.06
Net asset value per unit as at end of the year	<b>53.95</b>	51.90

The annexed notes 1 to 29 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, 2013

Note	2013 (Rupees in '000)	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	288,769	90,892
<b>Adjustments for:</b>		
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss (net)	1,384	(5,381)
(Reversal) / provision against sukuk certificates (net)	(17,064)	110,619
Amortisation of premium on 'available for sale' investments	3	-
Provision for accrued profit on investments	-	38,562
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed (net)	(60,526)	16,795
	<u>212,566</u>	<u>251,487</u>
<b>(Increase) / decrease in assets</b>		
Investments (net)	(600,024)	1,008,757
Deposits and other receivables	(5,441)	42,417
	<u>(605,465)</u>	<u>1,051,174</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	5,856	(1,480)
Payable to Central Depository Company of Pakistan Limited - Trustee	88	(92)
Payable to Securities and Exchange Commission of Pakistan	(152)	(799)
Payable to Meezan Bank Limited	1	(1)
Accrued expenses and other liabilities	5,634	23,146
	<u>11,427</u>	<u>20,774</u>
<b>Net cash (used in) / inflow from operating activities</b>	<u>(381,472)</u>	<u>1,323,435</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units	2,585,133	485,161
Payments against redemption of units	(1,342,785)	(1,882,279)
Dividend paid	(16,426)	(38,900)
<b>Net cash inflow from / (used in) financing activities</b>	<u>1,225,922</u>	<u>(1,436,018)</u>
Net increase / (decrease) in cash and cash equivalents during the year	844,450	(112,583)
Cash and cash equivalents at beginning of the year	314,009	426,592
Cash and cash equivalents at end of the year	4 <u>1,158,459</u>	<u>314,009</u>

The annexed notes 1 to 29 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 THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2013

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

### 2. BASIS OF PRESENTATION

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

#### 2.1 Statement of compliance

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and judgements

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

- (a) Classification and valuation of financial instruments (notes 3.1 and 5)
- (b) Impairment of financial instruments (note 3.1.6)
- (c) Recognition of provision for Workers' Welfare Fund (note 12)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July, 01 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Assets and Liabilities or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on the financial statement of the Fund.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Financial instruments

- 3.1.1** The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, held to maturity 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 in accordance with the requirement of International Accounting Standard (IAS) 39 : ' Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

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

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

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

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

##### (b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

##### (c) Loans and receivables

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

##### (d) Available for sale

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



### 3.1.2 Regular way contract

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

### 3.1.3 Recognition

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

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

### 3.1.4 Measurement

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

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

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

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

### 3.1.5 Fair value measurement principles

The fair value of financial instruments is determined as follows:

Basis of valuation of government securities

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

Basis of valuation of debt securities

The fair value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in Circular No. 1 of 2009 dated January 6, 2009 and Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

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

Financial assets and financial liabilities are priced at their fair value.

### 3.1.6 Impairment

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

In case of investments classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, 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 profit or loss is removed from equity and recognised in the Income Statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in other comprehensive income. If in any subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through Income Statement.

### 3.1.7 Derecognition

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

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

### 3.1.8 Offsetting of financial instruments

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

## 3.2 Unitholders' fund

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

## 3.3 Issuance and redemption of units

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

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

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

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

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

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

### **3.5 Provisions**

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

### **3.6 Net assets value per Unit**

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

### **3.7 Taxation**

Current

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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current period as the Fund intends to avail this exemption.

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.

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.

However, the Fund has distributed and intends to continue availing the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no deferred tax has been recognised in these financial statements.

### 3.8 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in Income Statement currently and are recognised when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the statement of other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive dividend is established.
- (iv) Profit on bank deposits is recognised on time proportion basis using effective yield method,
- (v) Income on sukuk certificates, placements and government securities is recognised on time proportion basis using the effective yield except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by SECP for which the profits are recorded on cash basis.

### 3.9 Expenses

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

### 3.10 Earnings per unit

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

### 3.11 Cash and cash equivalents

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

### 3.12 Distribution

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

	Note	2013 (Rupees in '000)	2012
<b>4. BALANCES WITH BANKS</b>			
On saving accounts	4.1	<b>1,155,139</b>	309,115
On current accounts		<b>3,320</b>	4,894
		<b>1,158,459</b>	314,009

**4.1** The balance in saving accounts have an expected profit ranging from 5.65% to 9.40% per annum (2012: 5.65% to 12.10% per annum).

## 5. INVESTMENTS

Investments - 'at fair value through profit or loss'	5.1	<b>1,442,862</b>	904,288
Investments - 'available for sale'	5.2	<b>60,063</b>	-
		<b>1,502,925</b>	904,288

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

- Held for trading	5.1.1	<b>854,879</b>	291,267
- Investments at fair value through profit or loss upon initial recognition	5.1.5	<b>587,983</b>	613,021
		<b>1,442,862</b>	904,288

#### 5.1.1 Held for trading - Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised loss	Percentage of market value of investment %
			----- Number of certificates -----			-- (Rupees in '000) --				
Century Paper & Board Mills Limited (note 5.1.4)	September 25, 2014	6 months Kibor plus base rate of 1.35%	4,275	-	4,275	-	-	-	-	-
GoP Ijarah Sukuk Certificates - IX (note 5.1.2 & 5.1.3)	December 26, 2014	Weighted average 6 months T-Bills	1,700	-	-	1,700	170,000	170,000	-	11.32
GoP Ijarah Sukuk Certificates - XII (note 5.1.2 & 5.1.3)	June 28, 2015	Weighted average 6 months T-Bills	1,000	-	-	1,000	100,000	100,000	-	6.65
GoP Ijarah Sukuk Certificates - XIII (note 5.1.2 & 5.1.3)	September 18, 2015	Weighted average 6 months T-Bills	-	2,249	-	2,249	224,879	224,879	-	14.96
GoP Ijarah Sukuk Certificates - XIV (note 5.1.2 & 5.1.3)	March 28, 2016	Weighted average 6 months T-Bills	-	3,600	-	3,600	360,180	360,000	(180)	23.95
<b>Grand Total</b>							<b>855,059</b>	<b>854,879</b>	<b>(180)</b>	
<b>Total cost of investments</b>							<b>855,059</b>			

**5.1.2** GoP Ijarah Sukuks are valued at their face value as allowed by MUFAP after consultation with SECP. Had the Sukuks been valued at PKISRV the investment would have been higher by Rs 0.241 million as at 30 June 2013.

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

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

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

Name of the investee company	Maturity date	Profit rate	As at July 1, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	*Carrying value as at June 30, 2013	*Market value as at June 30, 2013	Unrealised gain / (loss)	Percentage of market value of investment %
			----- Number of certificates -----			-- (Rupees in '000) --				
Arzoo Textile Mills Limited (note 5.1.4 & 5.1.10)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	14,000	-	-	-	-
Century Paper & Board Mills Limited (note 5.1.4) (A+, JCR-VIS, non-traded)	September 25, 2014	6 months Kibor plus base rate of 1.35%	16,358	-	16,358	-	-	-	-	-
Eden Builders Limited (note 5.1.4) (DG3+, PACRA, non-traded)	March 8, 2014	3 months Kibor plus base rate of 2.3%	4,200	-	2,400	1,800	8,960	9,020	60	0.60
Eden Housing Limited (note 5.1.6, 5.1.8 & 5.1.10)	September 29, 2014	6 months Kibor plus base rate of 2.5%	59,400	-	-	59,400	77,366	77,366	-	5.15
Engro Fertilizer Limited (note 5.1.4) (A, PACRA, non-traded)	September 1, 2015	6 months Kibor plus base rate of 1.5%	30,500	10,000	5,000	35,500	178,945	177,681	(1,264)	11.82
Hub Power Company Limited - CP Sukuk (note 5.1.4 & 5.1.5.1)	August 2, 2012	6 months Kibor plus base rate of 1.25%	20,000	-	20,000	-	-	-	-	-
Hub Power Company Limited - CP Sukuk (note 5.1.4 & 5.1.5.1)	February 16, 2013	6 months Kibor plus base rate of 1.25%	-	20,000	20,000	-	-	-	-	-
Hub Power Company Limited - CP Sukuk (note 5.1.4 & 5.1.5.1)	September 12, 2013	6 months Kibor plus base rate of 1.25%	-	45,000	-	45,000	225,000	225,000	-	14.97
Kot Addu Power Company Limited - CP Sukuk (note 5.1.4 & 5.1.5.1)	June 10, 2013	6 months Kibor plus base rate of 1.1%	-	20,000	20,000	-	-	-	-	-
Maple Leaf Cement Factory Limited (note 5.1.3, 5.1.7 & 5.1.10)	December 3, 2018	3 months Kibor plus base rate of 1%	63,864	-	6,400	57,464	91,942	91,942	-	6.12
Maple Leaf Cement Factory Limited (note 5.1.3 & 5.1.7)	March 31, 2013	3 months Kibor plus base rate of 1%	2,400	-	2,400	-	-	-	-	-
Security Leasing Corporation Limited II (note 5.1.3, 5.1.9 & 5.1.10)	January 19, 2022	Nil	3,893	-	406	3,487	6,974	6,974	-	0.46
Sitara Chemical Industries Limited III (note 5.1.3) (A+, JCR-VIS, non-traded)	December 31, 2012	3 months Kibor plus base rate of 1%	6,750	-	6,750	-	-	-	-	-
<b>Grand Total</b>							<b>589,187</b>	<b>587,983</b>	<b>(1,204)</b>	
<b>Total cost of investments</b>								<b>863,973</b>		

\* In case of debt securities against which provision has been made, these are carried at amortized cost less provision

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

5.1.6 The nominal value of the sukuk certificates of Eden Housing Limited is Rs 1,302 each.

5.1.7 The sukuku of Maple Leaf Cement Factory Limited were restructured on 30 March 2010. In accordance with the terms of restructuring, the amount of markup due on 03 December 2009 was partially off-set through issuance of new sukuku, "Maple Leaf Cement Factory Limited Sukuk II". The Sukuk II had been recognised at NIL value on a prudent basis and in accordance with the guidance specified by SECP which require overdue mark-up to be recognised on cash basis. The Issuer defaulted again in the payment of principal and mark-up due on 03 September 2011. In accordance with the requirements of Circular No. 33 of 2012 issued by SECP, the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. Upto 31 December 2012, the amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said Circular while considering date of default as 03 September 2011 amounted to Rs. 93 million.

During the year, the Fund has received principal amounted to Rs.32 million (4 installments of 8 million each) with mark up of Rs. 51.604 million. In addition, the Fund's total exposure in Maple Leaf-II of Rs.12 million has been received along with mark up of Rs. 0.954 million. MUFAP after consultation and discussion with SECP has confirmed that MLCFL should be classified as non-performing and has instructed to Mutual Funds to suspend further provisioning as required under Circular 33 of 2012 after considering the fact that MLCFL has started performing in accordance with the revised rescheduling terms. MUFAP confirmed that provisioning status quo (in terms of percentage) should be maintained and additional provisioning shall be stopped till the asset becomes performing. Accordingly, provision as at 30 June 2013 has been maintained which represents sixty eight percent of the outstanding balance. However, profit is being recorded by the Fund on receipts basis in accordance with the requirements of circular 33 of 2012.

5.1.8 On May 6, 2011, Eden Housing sukuk certificates have been classified as non-performing by MUFAP. Accordingly, Fund has valued the sukuku at the last price quoted by MUFAP. Although, the fund has received all the installments due as per the restructured terms, accrual of profit has been stopped and all income has been recognised on cash basis from August 19, 2011.

5.1.9 The agreement with Security Leasing Corporation Limited 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 1.640 million has also been provided against the outstanding principal as at June 30, 2013. The Fund has received all the installments due as per the restructured terms.

5.1.10 The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (Management Company) classified Meezan Islamic Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at June 30, 2013, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires the rating of any security in the portfolio shall not be lower than the investment grade.

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

Name of Non-Compliant Investment	Type of investments	Value of investment before provision	Provision held (if any)	Value of investment after provision	Percentage of net assets	Percentage of total assets
		Rs '000			%	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	32,200	32,200	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	77,366	-	77,366	2.93	2.85
Maple Leaf Cement Factory Limited	Non-traded sukuk certificates	180,191	88,249	91,942	3.48	3.39
Security Leasing Corporation Limited II	Non-traded sukuk certificates	12,280	5,306	6,974	0.26	0.26
		<b>302,037</b>	<b>125,755</b>	<b>176,282</b>		

**2013**      **2012**  
**(Rupees in '000)**

### 5.1.11 Provision on sukuk certificates

Opening	<b>142,819</b>	32,200
(Reversal) / provision for the year - net	<b>(17,064)</b>	110,619
Closing	<b>125,755</b>	142,819

### 5.2 Investments - available for sale

Name of the investee company	Maturity date	Profit rate	As at July 1, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013 (Note 5.2.2)	Unrealised	Percentage of market value of investment
			----- Number of certificates -----			-- (Rupees in '000) --				
GoP Ijarah Sukuk Certificates - VIII (note 5.1.3)	May 16, 2014	Weighted average 6 months T-Bills	-	600	-	600	60,063	60,063	-	4.00
<b>Total cost of investments</b>								<b>60,063</b>		

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

5.2.2 GoP Ijarah Sukuks are valued at their face value (inclusive of any unamortised premium) as allowed by MUFAP after consultation with SECP. Had the Sukuks been valued at PKISRV the investment would have been higher by Rs 0.08 million as at 30 June 2013.



	Note	2013 (Rupees in '000)	2012
<b>6. DEPOSITS AND OTHER RECEIVABLES</b>			
Security deposits		2,600	2,600
Profit receivable on saving accounts with banks		18,885	8,260
Profit receivable on sukuk certificates		29,111	17,231
		<u>50,596</u>	<u>28,091</u>
<b>7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company</b>			
Management fee	7.1	3,044	1,492
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	785	239
Sales load		3,391	183
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	556	6
Certificate charges		1	1
		<u>7,777</u>	<u>1,921</u>

7.1 Under the provisions of NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five year of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of 1.5 percent per annum of the average annual net assets of the Fund for the year ended June 30, 2013 (2012: 1.5%).

7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

7.3 With effect from June 13, 2013, the Federal Government has levied Federal excise duty at the rate of 16% on the remuneration of the Management Company and sales load through Finance Act, 2013.

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

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed in accordance with the tariff specified therein, based on the daily net assets value of the Fund. The rates have been revised effective from April 01, 2013. The revised tariff structure is as follows:

Net assets	Tariff
Up to 1 billion	0.15% of net assets
1 billion to 10 billion	Rs 1.5 million plus 0.075% of net assets exceeding Rs 1 billion
Over 10 billion	Rs 8.25 million plus 0.06% of net assets exceeding Rs 10 billion

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

This represents annual fee payable to the SECP. Fee at the rate of 0.075 percent of the average annual net assets of the Fund is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations.

	Note	2013 (Rupees in '000)	2012
<b>10. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		400	400
Zakat payable		62	30
Printing expenses payable		206	180
Workers' Welfare Fund (WWF) payable	12	29,002	23,226
Performance rating fee		-	225
Withholding tax payable		576	566
Brokerage Payable		11	-
Other payable		92	88
		<u>30,349</u>	<u>24,715</u>

## 11 CONTINGENCIES AND COMMITMENTS

In April 2009 the Fund's Management Company (Al Meezan) and CDC had received notices from WAPDA that further transfer of the WAPDA First Sukuk Company Limited's (WFSCL) sukuk being held by the Fund may be stopped until further instructions are given by WAPDA. The Fund, however, in its response stated that it is in the business of purchase and sale of securities and that the Fund is the bonafide holder of these sukuk, which were purchased after taking all necessary steps and measures to ascertain the genuineness of these sukuk including their verification from the issuer (i.e.WFSCL) therefore, the Fund cannot comply with the instructions of WAPDA.

The Fund disposed off its investment in the aforementioned sukuk having a face value of Rs 180 million by June 30, 2009, i.e. before book closure for rentals due on October 22, 2009.

In September 2009 the Fund received a demand from WAPDA claiming return of Rs 13.6 million being rentals received by it (the Fund) in April 2009 on its holding of WFSCL sukuk, WAPDA contends that Fund is not a bonafide owner of those sukuk. The Management Company of the Fund has rejected WAPDA's claim and stated that the said sukuk were purchased after their existence had been duly verified from WAPDA at more than one stage and that these sukuk were transferred in its CDS account, hence, the Fund was the bonafide holder of these sukuk.

The defendants (i.e. WAPDA and WFSCL) have also filed an interpleader suit in December 2009 against Al Meezan, CDC in its capacity as the Trustee of the Fund and some other parties in the Senior Civil Court of Lahore (the Court) seeking a decision from the Court as to who is the lawful owner and to whom the profit payment due on October 22, 2009 and subsequent rentals should be made. The interpleader suit has been dismissed by the court on May 21, 2010 and the issuer has preferred regular first appeal which is pending for adjudication. Management Company has submitted objections to the aforementioned review application on June 28, 2011.

During the year, the Board of Directors of the Management Company has principally agreed to buy back the WAPDA Sukuk (previously sold by the Fund) in this respect formal agreement has been entered into with the counterparty. Hence, the contingent liability of the Fund has now been transferred to the Management Company.

There were no other contingencies and commitments outstanding as at June 30, 2013.

## 12 WORKERS' WELFARE FUND

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

In 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF. In December 2010, the Ministry filed its responses against the constitutional petition requesting the court to dismiss the same, where after show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable Sindh High Court (SHC) on the basis of pending constitutional petitions as referred above. No such notice was received by the Fund.

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

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2013. As at June 30, 2013, the Fund has recognised WWF amounting to Rs. 29.002 million which includes Rs. 5.775 million pertaining to the current year and Rs. 23.227 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.59 (1.10%).

## 13 NUMBER OF UNITS IN ISSUE

	2013	2012
	(Number of units)	

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

Total units in issue at the beginning of the year	23,294,657	49,783,807
Add: units issued during the year	49,288,233	9,525,603
Add: bonus units issued during the year	2,400,936	1,200,673
Less: units redeemed during the year	(25,963,948)	(37,215,426)
Total units in issue at the end of the year	<u>49,019,878</u>	<u>23,294,657</u>

**13.2** The Fund may issue following classes of units:

Class	Description
A - Restricted	Units that shall be charged with no sales load (note 13.2.1).
A	Units that shall be charged with no sales load.
B	Units that shall be charged with front-end load.
C	Units that shall be charged with contingent back-end load.

**13.2.1** Class A (Restricted) units were issued as initial subscription in the form of seed capital which was received by the Fund during the period December 13, 2006 to December 15, 2006 with the restriction that these units are not redeemable or transferable for a period of two years from the date of such subscription.

**13.2.2** According to the supplemental offering document dated March 17, 2008, the Management Company of the Fund may issue the following types of units:

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unitholders shall also be the growth units; and
- Income units which shall be entitled to dividend in case of any distribution by the Fund.

#### **14. PROFIT ON SAVING ACCOUNTS WITH BANKS**

This includes reversal of profit accrual amounting to Rs. 0.824 million.

#### **15. AUDITORS' REMUNERATION**

	2013	2012
	(Rupees in '000)	
Statutory audit fee	290	290
Half yearly review fee	110	110
Other certifications	110	110
Out of pocket expenses	44	72
	<b>554</b>	<b>582</b>

#### **16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

The 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, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - II, Meezan Cash Fund, Al Meezan Mutual Fund, Meezan Sovereign Fund, KSE Meezan Index Fund and Meezan Financial Planning Fund of Funds being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Gratuity Fund and Al Meezan Investment Management Limited - Staff Provident Fund.

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

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

Details of transactions with connected persons and balances with them for the year ended June 30, 2013 and as of that date along with comparatives are as follows:

	2013	2012
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	3,044	1,492
Sales load payable	3,391	183
Certificate charges payable	1	1
Sindh Sales Tax and Federal Excise Duty on management fee	785	239
Sindh Sales Tax and Federal Excise Duty on sales load	556	6
Investments as at June 30, 2013: 4,347,920 units (June 30, 2012: 421,342 units)	234,575	21,868
<b>Meezan Bank Limited</b>		
Sales load payable	97	96
Balances with bank	12,116	6,150
Profit receivable on saving accounts	207	7
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	242	154
Security deposit	100	100
<b>Al Meezan Investment Management Limited - Staff Provident Fund</b>		
Investments as at June 30, 2013: Nil unit (June 30, 2012: 3,300 units)	-	171
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Investments as at June 30, 2013: 31,851 units (June 30, 2012: 3,253 units)	1,718	169
<b>Directors and executives of the Management Company</b>		
Investments as at June 30, 2013: 1,050,502 units (June 30, 2012: 39,518 units)	56,676	2,051

	<b>For the year ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Rupees in '000)</b>	
<b>Al-Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year	<u>25,712</u>	<u>28,759</u>
Sindh Sales Tax & Federal Excise Duty on management fee for the year	<u>4,412</u>	<u>4,601</u>
Units issued: 3,677,853 units (June 30, 2012: 405,171 units)	<u>189,000</u>	<u>21,000</u>
Bonus units issued: 248,725 units (June 30, 2012: 16,171 units)	<u>12,593</u>	<u>810</u>
<b>Meezan Bank Limited</b>		
Profit on saving accounts	<u>324</u>	<u>258</u>
Redemptions: nil unit (2012: 17,642,001 units)	<u>-</u>	<u>891,738</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the year	<u>2,307</u>	<u>2,482</u>
CDS Charges for the year	<u>8</u>	<u>6</u>
<b>Al Meezan Investment Management Limited - Staff Provident Fund</b>		
Units issued: 129,784 units (2012: Nil unit)	<u>6,800</u>	<u>-</u>
Redemptions: 133,417 units (2012: Nil unit)	<u>7,189</u>	<u>-</u>
Bonus units issued: 333 units (2012: 189 units)	<u>17</u>	<u>9</u>
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Units issued: 28,270 units (2012: Nil unit)	<u>1,500</u>	<u>-</u>
Bonus units issued: 328 units (2012: 186 units)	<u>17</u>	<u>9</u>
<b>Directors and executives of the Management Company</b>		
Units issued: 1,074,307 units (2012: 64,726 units)	<u>55,849</u>	<u>2,791</u>
Redemptions: 100,871 units (2012: 59,472 units)	<u>3,980</u>	<u>3,027</u>
Bonus units issued: 37,549 units (2012: 1,391 units)	<u>1,902</u>	<u>37</u>

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

Loans and receivables	2013			Total
	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>				
Balances with banks	1,158,459	-	-	1,158,459
Investments	-	1,442,862	60,063	1,502,925
Deposits and other receivables	50,596	-	-	50,596
	<u>1,209,055</u>	<u>1,442,862</u>	<u>60,063</u>	<u>2,711,980</u>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan Investment Management Limited - Management Company	-	-	7,777	7,777
Payable to Central Depository Company of Pakistan - Trustee	-	-	242	242
Payable to Meezan Bank Limited	-	-	97	97
Payable on redemption and conversion of units	-	-	27,549	27,549
Accrued expenses and other liabilities	-	-	709	709
	<u>-</u>	<u>-</u>	<u>36,374</u>	<u>36,374</u>
----- (Rupees in '000) -----				
<b>2012</b>				
Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>				
Balances with banks	314,009	-	-	314,009
Investments	-	904,288	-	904,288
Deposits and other receivables	28,091	-	-	28,091
	<u>342,100</u>	<u>904,288</u>	<u>-</u>	<u>1,246,388</u>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan Investment Management Limited - Management Company	-	-	1,921	1,921
Payable to Central Depository Company of Pakistan - Trustee	-	-	154	154
Payable to Meezan Bank Limited	-	-	96	96
Payable on redemption and conversion of units	-	-	9,100	9,100
Accrued expenses and other liabilities	-	-	893	893
	<u>-</u>	<u>-</u>	<u>12,164</u>	<u>12,164</u>

## 18. FINANCIAL RISK MANAGEMENT

### Financial risk management objectives and policies

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

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

Risks managed and measured by the Fund are explained below:

## 18.1 Market risk

### 18.1.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of a change in market price (other than Currency risk or Interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instrument traded in the market. The fund is not exposed to price risk as at June 30, 2013.

### 18.1.2 Interest Rate Risk

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

#### *Cash Flow interest rate risk*

The company's interest rate risk arises from the balances in saving accounts and investment in debt securities. At June 30, 2013, if there had been increase / decrease of 100 basis points in interest rates or in rates announced by Financial Market Association, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 26.581 million (2012: approximately Rs 12.13 million) mainly as a result of finance income.

#### *Fair value interest rate risk*

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

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2013 is not necessary indicative of the effect on the fund's net asset due to future movements in interest rates.

### 18.1.3 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.

## 18.2 Credit Risk

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

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

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



The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

	<b>2013</b>	2012
	<b>(Rupees in '000)</b>	
<b>Financial assets</b>		
Balances with banks	<b>1,158,459</b>	314,009
Investments	<b>587,983</b>	904,288
Deposits and other receivables	<b>50,596</b>	28,091
	<b><u>1,797,038</u></b>	<u>1,246,388</u>

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

	<b>2013</b>	2012
	<b>(%)</b>	
AAA	<b>0.01</b>	0.42
AA+	<b>28.32</b>	40.13
AA	<b>1.23</b>	0.68
AA-	<b>-</b>	1.96
A	<b>70.44</b>	56.81
	<b><u>100.00</u></b>	<u>100.00</u>

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

	<b>2013</b>	2012
	<b>(%)</b>	
Government guaranteed	<b>60.88</b>	29.86
AA+	<b>14.97</b>	11.06
A+	<b>11.82</b>	32.22
A	<b>0.60</b>	2.31
Non-rated	<b>11.73</b>	24.55
	<b><u>100.00</u></b>	<u>100.00</u>

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

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

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

### 18.3 Liquidity risk

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

In accordance with the regulation 58(1)(k) of the NBFC Regulations, 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 which amounts to Rs 396.702 million as on June 30, 2013 (2012: Rs 181.345 million). However, no such borrowing has been obtained during the year.

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

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

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2013 along with comparative is tabulated below:

	Maturity upto				2013 Total
	Three months	Six months	One year	More than one year	
	----- (Rupees in '000) -----				
Payable to Al Meezan Investment Management Limited - Management Company	<b>7,777</b>	-	-	-	<b>7,777</b>
Payable to Central Depository Company of Pakistan Limited - Trustee	<b>242</b>	-	-	-	<b>242</b>
Payable to Meezan Bank Limited	<b>97</b>	-	-	-	<b>97</b>
Payable on redemption and conversion of units	<b>27,549</b>	-	-	-	<b>27,549</b>
Accrued expenses and other liabilities	<b>709</b>	-	-	-	<b>709</b>
	<b><u>36,374</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>36,374</u></b>

	Maturity upto				2012 Total
	Three months	Six months	One year	More than one year	
	----- (Rupees in '000) -----				
Payable to Al Meezan Investment Management Limited - Management Company	1,921	-	-	-	1,921
Payable to Central Depository Company of Pakistan Limited - Trustee	154	-	-	-	154
Payable to Meezan Bank Limited	96	-	-	-	96
Payable on redemption and conversion of units	9,100	-	-	-	9,100
Accrued expenses and other liabilities	893	-	-	-	893
	<u>12,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,164</u>

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

## 19. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

In accordance with the risk management policies stated in the note 18, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

- Level 1: Quoted market price (unadjusted) in active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- 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 as at June 30, 2013.

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Financial assets held for trading</b>				
- Debt securities	-	-	-	-
<b>Financial assets designated 'at fair value through profit or loss upon initial recognition'</b>				
- Debt securities	-	186,701	401,282	587,983
<b>Financial assets 'available for sale'</b>				
- Debt securities	-	-	-	-
	<u>-</u>	<u>186,701</u>	<u>401,282</u>	<u>587,983</u>

During the year ended June 30, 2013, no transfers were made between the aforementioned levels.

The following table presents the assets that are measured at fair value as at June 30, 2012.

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Financial assets held for trading</b>				
- Debt securities	-	21,267	-	21,267
<b>Financial assets designated 'at fair value through profit or loss upon initial recognition'</b>				
- Debt securities	-	390,975	222,046	613,021
	<u>-</u>	<u>412,242</u>	<u>222,046</u>	<u>634,288</u>

During the year ended June 30, 2012, no transfers were made between the aforementioned levels.

The following table presents the movement in level 3 instruments.

	<b>Debt securities</b>	
	<b>2013</b>	<b>2012</b>
	(Rupees in '000)	
Opening balance	222,046	370,165
Purchases	225,000	-
Sales / redemptions	(62,828)	(37,500)
Provision / reversal against sukuk certificates (net)	17,064	(110,619)
Closing balance	<u>401,282</u>	<u>222,046</u>

Financial Assets not carried at fair value

The following table analysis within the fair value hierarchy the Fund's financial assets not measured at fair value as at June 30, 2013 but for which fair value is disclosed:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- (Rupees in '000) -----			
Financial assets held for trading				
- Debt securities	-	855,120	-	855,120
Financial assets available for sale				
- Debt securities	-	60,144	-	60,144
	<u>-</u>	<u>915,264</u>	<u>-</u>	<u>915,264</u>

GoP Ijarah Sukuks (debt securities) are presently being valued at their face value (inclusive of any unamortised premium) (note 5.1.2 and 5.2.2). The fair value (market value) of these securities at PKISRV as at June 30, 2013 was Rs 915.264 million. Therefore, these are stated in level 2 accordingly.

## 21. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company has distributed sufficient income of the Fund for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unitholders to avail exemption subsequent to year end (refer note 27).

## 22. PERFORMANCE TABLE

	2013	2012	2011	2010	2009
	----- (Rupees in '000) -----				
Net assets (Rs '000) (ex-distribution)*	<b>2,639,493</b>	1,202,676	2,515,823	3,367,736	4,814,792
Net assets value / redemption price per unit					
as at June 30 (Rs) (ex-distribution)	<b>50.2</b>	49.93	50.06	50.62	50.16
Offer price per unit as at June 30 (Rs) (ex-distribution)	<b>50.49</b>	50.22	50.31	50.87	50.41
<b>Distribution (%)</b>					
- Interim					
- First quarter	-	-	3.00	2.50	2.54
- Second quarter	<b>6.00</b>	-	2.00	1.00	1.50
- Third quarter	-	4.00	3.50	0.27	2.00
- Fourth quarter	-	-	2.00	-	-
- Annual	<b>7.50</b>	3.94	2.00	2.50	3.50
Dates of distribution (interim)					
- First quarter	-	-	September 30, 2010	October 3, 2009	September 30, 2008
- Second quarter	<b>December 31, 2012</b>	-	December 31, 2010	January 4, 2010	February 23, 2009
- Third quarter	-	March 31, 2011	March 29, 2011	February 26, 2010	April 15, 2009
- Fourth quarter	-	-	May 24, 2011	-	-
Dates of distribution (annual)	<b>July 8, 2013</b>	July 9, 2012	July 7, 2011	July 7, 2010	July 6, 2009
Income distribution (Rupees in '000)	<b>5,187</b>	19,076	156,584	88,524	163,542
Growth distribution (Rupees in '000)	<b>178,638</b>	76,072	189,039	185,688	305,931
Highest offer price per unit (Rs)	<b>54.22</b>	52.41	52.61	52.36	52.17
Lowest offer price per unit (Rs)	<b>50.16</b>	50.00	50.34	50.34	47.06
Highest redemption price per unit (Rs)	<b>53.95</b>	52.11	52.35	52.1	51.91
Lowest redemption price per unit (Rs)	<b>49.91</b>	49.71	50.09	50.09	46.82
Total return (%)	<b>14.45</b>	7.81	11.78	7.31	10.14
Weighted Average Portfolio Duration (years)	<b>2.05</b>	2.94	2.63	3.87	4.24
	<b>One year</b>	<b>Two years</b>	<b>Three years</b>	<b>Four years</b>	<b>Five years</b>
Average annual return (%) as at June 30, 2013	<b>14.45%</b>	11.08%	11.31%	10.30%	10.27%

\* The distribution is not accounted for in these financial statements as also explained in note 27.

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.

## 23. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty three years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
Ms. Sanam Ali Zaib	Head of Research	CFA / MBA	Nine years
Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Six years
Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Four years
Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Six years

23.2 The Fund manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund
- Meezan Sovereign Fund

## 24. BROKERAGE COMMISSION BY PERCENTAGE

Name of the brokers	2013 %
Invest and Finance Securities Limited	64.79
BMA Capital Management Limited	21.13
Invest Capital Management Limited	7.04
JS Global Capital Limited	7.04
Name of the brokers	2012 %
Elixir Securities (Private) Limited	43.68
BMA Capital Management Limited	34.48
KASB Securities (Private) Limited	12.64
JS Global Capital Limited	9.20

## 25. PATTERN OF UNIT HOLDING

	As at June 30, 2013		
	Number of unitholders	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	1,696	1,382,627	52.28
Associated companies / directors	6	287,788	10.88
Insurance companies	1	15,096	0.57
Banks / DFIs	3	220,387	8.33
NBFCs	1	8,437	0.32
Retirement funds	39	528,831	20.00
Others	23	201,514	7.62
Total	1,769	2,644,680	100.00

	As at June 30, 2012		
	Number of unitholders	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	1,641	612,638	50.67
Associated companies / directors	3	23,074	1.91
Insurance companies	4	17,589	1.45
Banks / DFIs	4	280,984	23.24
Retirement funds	29	267,605	22.14
Public limited companies	10	4,447	0.37
Others	7	2,627	0.22
<b>Total</b>	<b>1,698</b>	<b>1,208,964</b>	<b>100.00</b>

## 26. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		July 9, 2012	September 21, 2012	October 19, 2012	January 21, 2013	April 19, 2013	June 17, 2013
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	No	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	No	Yes	No	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes

## 27. NON ADJUSTING EVENT

The Board of Directors in its meeting held on July 8, 2013 has announced a final dividend of 7.5% (2012: 3.94%) amounting to Rs 183.825 million (2012: Rs 45.890 million) which includes 3,558,522 bonus units (2012: 793,166 bonus units) and cash dividend of Rs 5.187 million (2012: Rs 6.288 million). The financial statements for the year ended June 30, 2013 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2014.


## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Management Company.

## 29. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director



# PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

Held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	4,347,920	8.87
Al Meezan Investment Management Limited - Employees Gratuity Fund	31,851	0.06
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	513,773	1.05
<b>Directors</b>		
Mr. Ariful Islam	402,434	0.82
Mr. Tasnimul Haq Farooqui	191	0.00
Syed Amir Ali	38,061	0.08
<b>Executives</b>	96,043	0.20
<b>Banks and financial institutions</b>	4,521,110	9.22
<b>Individuals</b>	25,531,358	52.08
<b>Retirements funds</b>	9,802,027	20.00
<b>Other corporate sector entities</b>	3,735,110	7.62
<b>Total</b>	<b>49,019,878</b>	<b>100.00</b>



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# 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  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Askari Bank Limited - Islamic Banking	Habib Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking	Meezan Bank Limited
Bank Al Habib Limited - Islamic Banking	MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited - Islamic Banking	UBL Ameen
Habib Metropolitan Bank Limited - Islamic Banking	Faysal Bank Limited - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi - 75530  
Phone: (9221) 3565 7658-59 Fax: (9221) 3565 7673  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi.  
Phone: 32062891 Fax: 32552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

# REPORT OF THE FUND MANAGER

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

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

## Investment Policy

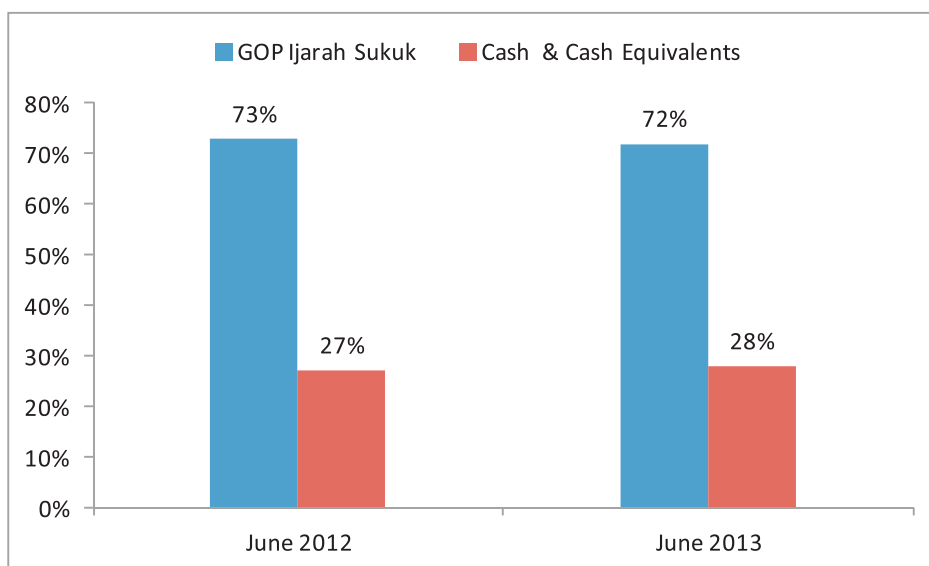
Meezan Sovereign Fund, an open end income fund, was launched in February 2010 with the investment policy stating that at least 70% of the net assets of the fund shall be invested in Shariah compliant fixed government securities. The remaining allocation will be in top rated banks and financial institutions.

## Strategy Implementation - Strategic and tactical Asset Allocation

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 FY12 and FY13

The asset allocation of the fund on June 30, 2013 is as follows:



## Performance Review

Meezan Sovereign Fund (MSF) provided a return of 9.11% to its investors for the year ended June 30, 2013. During the year the Fund earned gross income of Rs. 2,011 million. Profit on sukuk certificates contributed Rs. 1,473 million and profit on saving accounts with banks was Rs. 508 million. After accounting for expenses of Rs.303 million and element of loss and capital losses of Rs. 8 million, the net income of the Fund was Rs. 1,700 million.

The net assets of the Fund were at Rs. 19,654 million as at June 30, 2013 and the net asset value (NAV) per unit of the fund was Rs. 51.07 per unit. During the year, fresh units of Rs. 16,288 million were issued while units amounting to Rs. 18,050 million were redeemed, resulting in net outflow of Rs. 1,762 million.

	<b>MSF</b>	<b>Six Month Deposits at Islamic Banks</b>
Net Asset Value as on June 30, 2013	51.07	
Net Asset Value as on June 30, 2012	50.03	
Return for the year	9.11%	6.91%
Outperformance	2.20%	

### Distributions

The Board of Directors in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 1.03 per unit (2.06%) out of the profits of the Fund for the year ended June 30, 2013. The final distribution is in addition to the interim distributions amounting to Rs. 3.37 per unit (6.74%) during the fiscal year.

### Fund Stability Rating

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

### Unit holder Break down:

Holding Range of Units	Number of Unit Holders
Up to 10,000	3,098
Between 10,001 to 50,000	1,783
Between 50,001 to 100,000	353
Between 100,001 to 500,000	266
From 500,001 and above	60
<b>Total</b>	<b>5,560</b>



**Meezan Bank**  
The Premier Islamic Bank

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

August 20, 2013/ Shawwal 12, 1434

**Alhamdulillah**, the period from July 01, 2012 to June 30, 2013 was the fourth year of operations of Meezan Sovereign Fund (MSF) under management of Al Meezan Investment Management Limited (Al Meezan). We Meezan Bank Limited are the *Shari'ah* Advisor of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MSF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSF for the year ended June 30, 2013 have been in compliance with *Shari'ah* principles.

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

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

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN SOVEREIGN FUND**

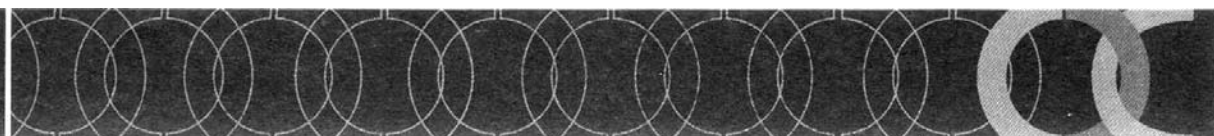
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2013 in accordance with the provisions of the following:

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

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 11, 2013



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Islamabad Stock Exchange Limited (Formerly Islamabad Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.



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

---

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 23, 2013



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

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

## **Review Report to the Unitholders' of Meezan Sovereign Fund ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund is listed.

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

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

Further, Listing Regulations notified by the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

**Date: 23 August 2013**

**Karachi**

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

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



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

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

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Sovereign Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *Other Matters*


The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of Chartered Accountants, who vide their report dated 19 October 2012, addressed to the Unitholders, had expressed an unmodified opinion thereon.

### *Report on Other Legal and Regulatory Requirements*

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

**Date: 23 August 2013**

**Karachi**

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

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


# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Assets</b>			
Balances with banks	4	5,259,781	5,233,984
Investments	5	14,398,331	14,360,803
Deposits, prepayments and other receivables	6	290,803	247,711
Preliminary expenses and floatation costs	7	824	1,335
<b>Total assets</b>		<b>19,949,739</b>	<b>19,843,833</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8	23,146	21,181
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	1,166	1,275
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	14,720	12,929
Payable to Meezan Bank Limited (MBL)		307	699
Payable on redemption and conversion of units		162,664	12,917
Unclaimed dividend		-	28,858
Accrued expenses and other liabilities	11	93,503	56,465
<b>Total liabilities</b>		<b>295,506</b>	<b>134,324</b>
<b>Net assets</b>		<b>19,654,233</b>	<b>19,709,509</b>
<b>Contingencies and commitments</b>	12		
<b>Unitholders' fund (as per statement attached)</b>		<b>19,654,233</b>	<b>19,709,509</b>
		<b>(Number of units)</b>	
<b>Number of units in issue</b>	14	<b>384,886,259</b>	393,965,527
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>51.07</b>	50.03

The annexed notes 1 to 29 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, 2013

	Note	2013 (Rupees in '000)	2012
<b>Income</b>			
Profit on saving accounts with banks		507,769	546,015
Profit on sukuk certificates		1,473,481	1,519,613
Net realised gain on sale of sukuk certificates		31,247	25,311
		<b>2,012,497</b>	2,090,939
Unrealised loss on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	(1,919)	(1,086)
<b>Total income</b>		<b>2,010,578</b>	2,089,853
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - Management Company	8.1	196,270	172,385
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	32,969	27,582
Remuneration to Central Depository Company of Pakistan Limited - Trustee	9	15,097	13,681
Annual fee to Securities and Exchange Commission of Pakistan	10	14,720	12,929
Auditors' remuneration	15	441	444
Fees and subscription		234	205
Amortisation of premium on investments held as 'available for sale'		7,432	1,947
Amortisation of preliminary expenses and floatation costs	7	511	512
Brokerage		1,045	255
Bank and settlement charges		253	151
Provision for Workers' Welfare Fund (WWF)	13	33,992	55,204
Printing expenses		260	271
<b>Total expenses</b>		<b>303,224</b>	285,566
<b>Net income from operating activities</b>		<b>1,707,354</b>	1,804,287
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed (net)		(7,754)	55,869
<b>Net income for the year before taxation</b>		<b>1,699,600</b>	1,860,156
Taxation	21	-	-
<b>Net income for the year after taxation</b>		<b>1,699,600</b>	1,860,156
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>1,699,600</b>	1,860,156

The annexed notes 1 to 29 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


# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in '000)	
Undistributed income / accumulated (loss) brought forward		
- Realised	23,125	172,297
- Unrealised	<u>(13,355)</u>	<u>(12,269)</u>
	9,770	160,028
Net income for the year	1,699,600	1,860,156
Less: Distributions during the year		
Final distribution for the year ended June 30, 2012		
- bonus units (Rs Nil per unit) (June 30, 2011 : Rs 0.64 per unit)	-	(68,000)
- cash dividend (Rs Nil per unit) (June 30, 2011: Rs 0.64 per unit)	-	(90,537)
Interim distribution on September 24, 2012		
- bonus units @ 2.38% (Rs 1.19 per unit) (September 23, 2011 : Rs 1.3 per unit)	(437,045)	(185,368)
- cash dividend @ 2.38% (Rs 1.19 per unit) (September 23, 2011: Rs 1.3 per unit)	(30)	(186,478)
Interim distribution on December 21, 2012		
- bonus units @ 2.36% (Rs 1.18 per unit) (December 22, 2011: Rs 1.3 per unit)	(463,358)	(225,591)
- cash dividend @ 2.36% (Rs 1.18 per unit) (December 22, 2011: Rs 1.3 per unit)	(225)	(190,299)
Interim distribution on March 22, 2013		
- bonus units @ 2% (Rs 1 per unit) (March 22, 2012: Rs 1.3 per unit)	(399,787)	(262,232)
- cash dividend @ 2% (Rs 1 per unit) (March 22, 2012: Rs 1.3 per unit)	(194)	(242,041)
Interim distribution on June 30, 2013		
- bonus units (Rs Nil per unit) (June 28, 2012 : Rs 1.46 per unit)	-	(530,990)
- cash dividend (Rs Nil per unit) (June 28, 2012: Rs 1.46 per unit)	-	(28,878)
	<u>(1,300,639)</u>	<u>(2,010,414)</u>
Undistributed income carried forward	<u>408,731</u>	<u>9,770</u>
Undistributed income carried forward		
- Realised	410,650	23,125
- Unrealised	<u>(1,919)</u>	<u>(13,355)</u>
	<u>408,731</u>	<u>9,770</u>

The annexed notes 1 to 29 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 UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in '000)	2012
Net assets at beginning of the year	19,709,509	12,545,661
Issue of 322,374,367 units (2012: 539,359,809 units)	<b>16,287,901</b>	27,422,886
Redemption of 357,452,249 units (2012: 418,512,777 units)	<b>(18,050,082)</b>	(21,325,092)
	<b>(1,762,181)</b>	6,097,794
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed (net)	<b>7,754</b>	(55,869)
Issue of 25,998,614 bonus units (2012: 25,405,842 bonus units)	<b>1,300,190</b>	1,272,181
Realised gain on sale of sukuk certificates	<b>31,247</b>	25,311
Unrealised diminution in the value of investments (net)	<b>(1,919)</b>	(1,086)
Total other comprehensive income for the year	<b>1,670,272</b>	1,835,931
Final distribution for the year ended June 30, 2012		
- Issue of Nil bonus units for the year ended June 30, 2012 (June 30, 2011: 1,359,720 units)	-	(68,000)
- Cash distribution	-	(90,537)
Interim distribution on September 24, 2012		
- Issue of 8,739,160 bonus units for the quarter ended September 30, 2012 (September 23, 2011: 3,702,923 units)	<b>(437,045)</b>	(185,368)
- Cash distribution	<b>(30)</b>	(186,478)
Interim distribution on December 21, 2012		
- Issue of 9,265,316 bonus units for the quarter ended December 31, 2012 (December 22, 2011: 4,496,534 units)	<b>(463,358)</b>	(225,591)
- Cash distribution	<b>(225)</b>	(190,299)
Interim distribution on March 22, 2013		
- Issue of 7,994,138 bonus units for the quarter ended March 31, 2013 (March 22, 2012: 5,226,869 units)	<b>(399,787)</b>	(262,232)
- Cash distribution	<b>(194)</b>	(242,041)
Interim distribution on June 30, 2013		
- Issue of Nil bonus units for the year ended June 30, 2013 (June 28, 2012: 10,619,796 units)	-	(530,990)
- Cash distribution	-	(28,878)
Net income for the year less distribution	<b>398,961</b>	(150,258)
Net assets at end of the year	<b>19,654,233</b>	19,709,509
	<b>(Rupees)</b>	
Net assets value per unit at beginning of the year	<b>50.03</b>	50.65
Net assets value per unit at end of the year	<b>51.07</b>	50.03

The annexed notes 1 to 29 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, 2013

<b>Note</b>	<b>2013</b>	<b>2012</b>
	<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	<b>1,699,600</b>	1,860,156
<b>Adjustments for :</b>		
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	<b>1,919</b>	1,086
Amortisation of preliminary expenses and floatation costs	<b>511</b>	512
Amortisation of premium on investments held as 'available for sale'	<b>7,432</b>	1,947
Element of loss / (income) and capital losses / (gains) / included in prices of units sold less those in units redeemed (net)	<b>7,754</b>	(55,869)
	<b>1,717,216</b>	1,807,832
<b>(Increase) / decrease in assets</b>		
Investments (net)	<b>(46,879)</b>	(5,128,836)
Deposits, prepayments and other receivables	<b>(43,092)</b>	93,163
	<b>(89,971)</b>	(5,035,673)
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	<b>1,965</b>	10,213
Payable to Central Depository Company of Pakistan Limited - Trustee	<b>(109)</b>	513
Payable to Securities and Exchange Commission of Pakistan	<b>1,791</b>	8,201
Payable to Meezan Bank Limited	<b>(392)</b>	279
Accrued expenses and other liabilities	<b>37,038</b>	55,487
	<b>40,293</b>	74,693
Net cash inflow from / (used in) operating activities	<b>1,667,538</b>	(3,153,148)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units	<b>16,287,901</b>	27,422,886
Payments against redemption of units	<b>(17,900,335)</b>	(21,358,148)
Dividend paid	<b>(29,307)</b>	(709,375)
<b>Net cash (used in) / inflow from financing activities</b>	<b>(1,641,741)</b>	5,355,363
Net increase in cash and cash equivalents during the year	<b>25,797</b>	2,202,215
Cash and cash equivalents at beginning of the year	<b>5,233,984</b>	3,031,769
Cash and cash equivalents at end of the year	<b>4</b> <b>5,259,781</b>	5,233,984

The annexed notes 1 to 29 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 THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2013

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

### 2. BASIS OF PRESENTATION

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

#### 2.1 STATEMENT OF COMPLIANCE

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and judgements

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

- (a) Classification and valuation of financial instruments (note 3.1)
- (b) Impairment of financial instruments (note 3.1.6)
- (c) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7)
- (d) Recognition of provision for Workers' Welfare Fund (note 13)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Assets and Liabilities or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on the financial statements of the Fund.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Financial instruments

##### 3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, held to maturity 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 in accordance with the requirement of International Accounting Standard (IAS) 39 :

'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

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

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

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

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

##### b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

### **c) Loans and receivables**

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

### **d) Available for sale**

These are non-derivative financial assets that are either designated as available for sale or are not classified in any of the other categories mentioned in (a) to (c) 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 asset or financial liability '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. Changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are included in the Income Statement.

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

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

## **3.1.5 Fair value measurement principles**

The 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 which are based on the remaining tenor of the securities.

### 3.1.6 Impairment

Impairment loss on investments other than 'available for sale' is recognised in the Income Statement whenever the carrying amount of investment exceeds its recoverable amount.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the securities below their cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, 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 Income Statement is removed from other comprehensive income and recognised in the Income Statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in other comprehensive income. If in any subsequent period, the fair value of a debt instrument classified as 'available for sale' increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through Income Statement.

### 3.1.7 Derecognition

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

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

### 3.1.8 Offsetting of financial instruments

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

## 3.2 Unitholders' fund

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

## 3.3 Issuance and redemption of units

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

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

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

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

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

### **3.5 Provisions**

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

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

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to bankers to the issue, brokerage paid to members of the stock exchange and other expenses. These costs are being amortised over a period of five years commencing from February 10, 2010 in accordance with the requirements of the Trust Deed of the Fund and NBFC regulations.

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

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

### **3.8 Taxation**

#### *Current*

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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001.

#### *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.

However, the Fund intends to avail the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

### 3.9 Revenue recognition

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

### 3.10 Expenses

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

### 3.11 Earnings per unit

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

### 3.12 Cash and cash equivalents

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

### 3.13 Distribution

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

## 4. BALANCES WITH BANKS

	<i>Note</i>	<b>2013</b>	<b>2012</b>
<b>(Rupees in '000)</b>			
On saving accounts	4.1	<b>5,250,490</b>	5,226,379
On current accounts		<b>9,291</b>	7,605
		<b><u>5,259,781</u></b>	<u>5,233,984</u>

- 4.1 The balances in saving accounts have an expected profit ranging from 5.65% to 12.10% per annum (2012: 5.04 % to 12.10% per annum).



## 5. INVESTMENTS

	Note	2013 (Rupees in '000)	2012
Investments - 'at fair value through profit or loss'	5.1	8,980,400	14,085,000
Investments - 'available for sale'	5.2	5,417,931	275,803
		<b>14,398,331</b>	<b>14,360,803</b>

### 5.1 INVESTMENTS AT 'FAIR VALUE THROUGH PROFIT OR LOSS' - Sukuk Certificates

Name of the Issuer	Maturity	Profit rate	As at July 1, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013 (Note 5.1.1)	Unrealised gain / (loss)	Percentage of total market value of investments %
			Number of Certificates			Rupees in '000				
GoP Ijarah Sukuk Certificates - V (note 5.2.1)	November 15, 2013	Weighted average 6 months T-Bills	49,560	-	33,750	15,810	1,581,000	1,581,000	-	10.98
GoP Ijarah Sukuk Certificates - VI (note 5.2.1)	December 20, 2013	Weighted average 6 months T-Bills	7,570	-	2,500	5,070	507,000	507,000	-	3.52
GoP Ijarah Sukuk Certificates - VII (note 5.2.1)	March 7, 2014	Weighted average 6 months T-Bills	2,870	-	-	2,870	287,000	287,000	-	1.99
GoP Ijarah Sukuk Certificates - VIII (note 5.2.1)	May 16, 2014	Weighted average 6 months T-Bills	4,000	-	480	3,520	352,000	352,000	-	2.44
GoP Ijarah Sukuk Certificates - IX (note 5.2.1)	December 26, 2014	Weighted average 6 months T-Bills	69,600	-	18,650	50,950	5,095,000	5,095,000	-	35.39
GoP Ijarah Sukuk Certificates - XII (note 5.2.1)	June 28, 2014	Weighted Average 6 months T-Bills	7,250	54	6,400	904	90,404	90,400	(4)	0.63
GoP Ijarah Sukuk Certificates - XIII (note 5.2.1)	September 18, 2015	Weighted Average 6 months T-Bills	-	9,150	-	9,150	916,915	915,000	(1,915)	6.36
GoP Ijarah Sukuk Certificates - XIV (note 5.2.1)	March 28, 2016	Weighted Average 6 months T-Bills	-	1,530	-	1,530	153,000	153,000	-	1.06
Total cost of investment							8,982,319	8,980,400	(1,919)	
								8,995,674		

**5.1.1** GoP Ijarah Sukuks are valued at their face value as allowed by MUFAP after consultation with SECP. Had the Sukuks been valued at PKISRV the investment would have been higher by Rs 11.290 million as at 30 June 2013.

### 5.2 INVESTMENTS - 'AVAILABLE FOR SALE' - Sukuk Certificates

Name of the Issuer	Maturity	Profit rate	As at July 1, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013 (Note 5.2.2)	Unrealised gain / (loss)	Percentage of total market value of investments
			Number of Certificates			Rupees in '000				
GoP Ijarah Sukuk Certificates - V (note 5.2.1)	November 15, 2013	Weighted average 6 months T-Bills	2,750	-	2,750	-	-	-	-	-
GoP Ijarah Sukuk Certificates - VIII (note 5.2.1)	May 16, 2014	Weighted average 6 months T-Bills	-	17,500	-	17,500	1,753,713	1,753,713	-	12.18
GoP Ijarah Sukuk Certificates - X (note 5.2.1)	March 2, 2015	Weighted average 6 months T-Bills	-	10,500	-	10,500	1,054,398	1,054,398	-	7.32
GoP Ijarah Sukuk Certificates - XI (note 5.2.1)	April 30, 2015	Weighted average 6 months T-Bills	-	2,000	-	2,000	200,058	200,058	-	1.39
GoP Ijarah Sukuk Certificates - XIII (note 5.2.1)	September 18, 2015	Weighted average 6 months T-Bills	-	24,000	-	24,000	2,409,762	2,409,762	-	16.74
Total cost of investments							5,417,931	5,417,931	-	
								5,400,000		

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

**5.2.2** GoP Ijarah Sukuks are valued at their face value (inclusive of any unamortised premium) as allowed by MUFAP after consultation with SECP. Had the Sukuks been valued at PKISRV the investment would have been lower by Rs 11.966 million as at 30 June 2013.

6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2013 (Rupees in '000)	2012
Security deposit		100	100
Prepayments		87	80
Profit receivable on saving accounts with banks		103,376	135,804
Profit receivable on sukuk certificates		187,240	111,727
		<u>290,803</u>	<u>247,711</u>
<b>7. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance	7.1	1,335	1,847
Less: Amortised during the year		(511)	(512)
Closing balance		<u>824</u>	<u>1,335</u>
<b>7.1</b> Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund, restricted to one percent of Pre-IPO capital, and are being amortised over a period of five years commencing from the end of the initial offering period in accordance with the Trust Deed of the Fund.			
<b>8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company</b>			
Management fee	8.1	16,328	16,170
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	4,178	2,587
Sales load		2,227	2,344
Sindh Sales Tax and Federal Excise Duty on sales load	8.2 & 8.3	413	80
		<u>23,146</u>	<u>21,181</u>

**8.1** Under the provisions of the NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of one percent per annum of the average annual net assets of the Fund for the year ended June 30, 2013.

**8.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011 effective from July 01, 2011.

**8.3** With effect from June 13, 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company and sales load through Finance Act, 2013.

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

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

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

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

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

This represents annual fee at the rate of 0.075% of the average annual net assets of the Fund payable to the SECP under regulation 62 read with Schedule II of the NBFC Regulations.

## 11. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2013 (Rupees in '000)	2012
Auditors' remuneration		300	300
Withholding tax payable		112	699
Zakat payable		27	40
Brokerage payable		73	-
Workers' Welfare Fund (WWF) payable	13	89,196	55,204
Printing expenses payable		100	222
Other Payable		3,695	-
		<u>93,503</u>	<u>56,465</u>

## 12. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2013.

## 13. WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, during the year ended June 30, 2010, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF. In December 2010, the Ministry filed its responses against the constitutional petition requesting the Court to dismiss the same, whereafter showcause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by the Honourable Sindh High Court (SHC) on the basis of the pending constitutional petition as referred above. No such notice was received by the Fund.

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

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2013. The Fund has recognised WWF charge upto June 30, 2013 amounting to Rs 89.20 million which includes Rs 33.99 million pertaining to the current year and Rs 55.21 million pertained to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 0.23 (0.45%).

## 14. NUMBER OF UNITS IN ISSUE

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

	2013	2012
	(Number of units)	
Total units in issue at the beginning of the year	393,965,527	247,712,653
Add: units issued during the year	322,374,367	539,359,809
Add: bonus units issued during the year	25,998,614	25,405,842
Less: units redeemed during the year	(357,452,249)	(418,512,777)
Total units in issue at the end of the year	<u>384,886,259</u>	<u>393,965,527</u>

14.2 The Fund may issue following classes of units:

### Class Description

- A Units shall be issued to Core Investors with no Front-end Load and no Back-end Load. Any bonus units issued for distribution of income shall also be Class A units (note 14.2.1).
- B Units shall be issued to Pre-IPO investors and during the IPO. These units shall be charged with applicable Front-end Load.
- C Units shall be issued after the IPO period and may be charged with Front-end Load.
- D Units shall be issued after the IPO period and may be charged with a Back-end Load.

14.2.1 Core units subscribed by the Core Investors shall be offered and issued at the par value. Rupees 50 million from that shall not be redeemable for a period of two years from the date of issue.

14.3 Management Company of the Fund may issue the following types of units:

- Growths units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unit holders shall also be the growth units.
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

14.4 The par value of each unit is Rs 50. The Management Company of the Fund has set a minimum initial investment limit of Rs 5,000 and the minimum amount for adding to an existing account is Rs 1,000. All units carry equal rights and are entitled to dividends and payment of net asset value on liquidation.

## 15. AUDITORS' REMUNERATION

	2013	2012
	(Rupees in '000)	
Statutory Audit fee	225	200
Half yearly review fee	110	110
Other certification fee	75	110
Out of pocket expenses	31	24
	<u>441</u>	<u>444</u>

## 16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The 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 officers of the Management Company, Al Meezan Mutual Fund, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Islamic Income Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - II, KSE Meezan Index Fund, Meezan Cash Fund and Meezan Financial Planning Fund of Funds being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Gratuity Fund and Al Meezan Investment Management Limited - Staff Provident Fund.

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

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

Details of transactions with connected persons and balances with them at the year end are as follows:

	2013	2012
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	16,328	16,170
Sindh Sales Tax and Federal Excise Duty payable on management fee	4,178	2,587
Sales load payable	2,227	2,344
Sindh Sales Tax and Federal Excise Duty payable on sales load	413	80
Investments as at June 30, 2013: 12,335,789 units (June 30, 2012: 14,134,002 units)	629,989	707,124
<b>Meezan Bank Limited</b>		
Balances with bank	34,784	38,049
Profit receivable on saving accounts	1,774	460
Sales load payable	307	699
Investments as at June 30, 2013: 148,829,382 units (June 30, 2012: 142,803,099 units)	7,600,717	7,144,439
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	1,166	1,275
Deposits	100	100
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Investments as at June 30, 2013: 40,842 units (2012: 38,209 units)	2,086	1,912
<b>Meezan Financial Planning Fund of Funds</b>		
Investment of 1,206,429 units - Aggressive Allocation Plan	61,612	-
Investment of 3,798,177 units - Conservative Allocation Plan	193,973	-
Investment of 1,468,730 units - Moderate Allocation Plan	75,008	-
<b>Directors and officers of the Management Company</b>		
Investments as at June 30, 2013: 4,406,004 units (2012: 3,975,979 units)	225,015	198,918

	<b>For the year ended June 30</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Rupees in '000)</b>	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year	<b>196,270</b>	172,385
Sindh Sales Tax and Federal Excise Duty on management fee	<b>32,969</b>	27,582
Units issued 9,171,835 units (June 30, 2012: 4,003,069 units)	<b>464,687</b>	204,000
Units redeemed 11,978,046 units (June 30, 2012: 3,002,581 units)	<b>606,800</b>	153,000
Bonus units issued: 1,007,998 units (June 30, 2012: 1,571,760 units)	<b>50,410</b>	78,257
<b>Meezan Bank Limited</b>		
Profit on saving accounts	<b>2,413</b>	1,740
Units issued 76,202,098 units (June 30 2012: 178,552,550 units)	<b>3,861,020</b>	9,125,702
Units redeemed 79,811,256 units (June 30, 2012: 138,275,433 units)	<b>4,033,275</b>	7,100,702
Cash dividend	-	498,815
Bonus units issued: 9,635,441 units (June 30, 2012: 4,051,545 units)	<b>481,868</b>	202,577
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration Fee	<b>15,097</b>	13,681
CDS Charges	<b>6</b>	6
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Units issued Nil units (June 30 2012: 70,613 units)	-	3,600
Units redeemed Nil units (June 30 2012: 35,340 units)	-	1,800
Bonus units issued 2,633 units (June 30 2012: 2,936 units)	<b>132</b>	147
<b>Meezan Financial Planning Fund of Funds</b>		
Purchase of 1,367,273 units - Aggressive Allocation Plan	<b>69,044</b>	-
Purchase of 4,242,070 units - Conservative Allocation Plan	<b>214,155</b>	-
Purchase of 1,745,401 units - Moderate Allocation Plan	<b>88,365</b>	-
Sale of 160,844 units - Aggressive Allocation Plan	<b>8,142</b>	-
Sale of 443,893 units - Conservative Allocation Plan	<b>22,575</b>	-
Sale of 276,671 units - Moderate Allocation Plan	<b>14,050</b>	-
<b>Directors and officers of the Management Company</b>		
Units issued 2,516,472 units (June 30 2012: 2,020,573 units)	<b>127,611</b>	97,827
Units redeemed 2,368,130 units (June 30 2012: 1,003,295 units)	<b>119,228</b>	50,811
Bonus units issued 281,683 units (June 30 2012: 328,181 units)	<b>14,087</b>	16,440

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	2013				Total
	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
------(Rupees in '000)-----					
<b>On balance sheet - financial assets</b>					
Balances with banks	5,259,781	-	-	-	5,259,781
Investments	-	8,980,400	5,417,931	-	14,398,331
Deposits and other receivables	290,716	-	-	-	290,716
	<b>5,550,497</b>	<b>8,980,400</b>	<b>5,417,931</b>	<b>-</b>	<b>19,948,828</b>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	23,146	23,146
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	1,166	1,166
Payable to Meezan Bank Limited	-	-	-	307	307
Payable on redemption and conversion of units	-	-	-	162,664	162,664
Accrued expenses and other liabilities	-	-	-	4,168	4,168
	<b>-</b>	<b>-</b>	<b>-</b>	<b>191,451</b>	<b>191,451</b>

	2012				Total
	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
------(Rupees in '000)-----					
<b>On balance sheet - financial assets</b>					
Balances with banks	5,233,984	-	-	-	5,233,984
Investments	-	14,085,000	275,803	-	14,360,803
Deposits and other receivables	247,631	-	-	-	247,631
	<b>5,481,615</b>	<b>14,085,000</b>	<b>275,803</b>	<b>-</b>	<b>19,842,418</b>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	21,181	21,181
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	1,275	1,275
Payable to Meezan Bank Limited	-	-	-	699	699
Payable on redemption and conversion of units	-	-	-	12,917	12,917
Accrued expenses and other liabilities	-	-	-	522	522
	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,594</b>	<b>36,594</b>

## 18. FINANCIAL RISK MANAGEMENT

### Financial risk management objectives and policies

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

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

Risks managed and measured by the Fund are explained below:

## 18.1 Market risk

### 18.1.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from Currency risk or Interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instrument traded in the market. The Fund is not exposed to any price risk as at June 30, 2013.

### 18.1.2 Interest rate risk

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

#### *Cash flow interest rate risk*

The company's interest rate risk arises from the balances in savings accounts and investment in debt securities. At June 30, 2013, if there had been increase / decrease of 100 basis points in interest rates or in rates announced by Financial Market Association, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 196.488 million (2012: Rs 195.872 million) mainly as a result of finance income.

#### *Fair value interest rate risk*

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

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2013 is not necessary indicative of the effect on the fund's net asset due to future movements in interest rates.

## 18.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. All the debt instruments in which the Fund has invested as at June 30, 2013 are Government guaranteed securities.

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

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

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:



	<b>2013</b>	<b>2012</b>
	<b>(Rupees in '000)</b>	
<b>Financial assets</b>		
Balances with banks	<b>5,259,781</b>	5,233,984
Deposits and other receivables	<b>290,716</b>	247,631
	<b><u>5,550,497</u></b>	<u>5,481,615</u>

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

	<b>2013</b>	<b>2012</b>
	(%)	
AAA	<b>19.07</b>	0.03
AA+	<b>16.51</b>	75.88
AA	<b>64.42</b>	23.36
AA-	-	0.73
	<b><u>100.00</u></b>	<u>100.00</u>

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

None of the financial assets were considered to be past due or impaired as on 30 June 2013.

### 18.3 Liquidity risk

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

In accordance with regulation 58(1)(k) of the NBFC Regulations, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 2,948.134 million as on June 30, 2013 (2012: Rs 2,956.426 million). However, no such borrowing has been obtained during the year.

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

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

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2013 along with comparative is tabulated below:

**2013**

	Maturity upto			More than one year	Total
	Three months	Six months	One year		
----- (Rupees in '000) -----					
Payable to Al Meezan Investment Management Limited - Management Company	23,146	-	-	-	23,146
Payable to Central Depository Company of Pakistan Limited - Trustee	1,166	-	-	-	1,166
Payable to Meezan Bank Limited	307	-	-	-	307
Payable on redemption and conversion of units	162,664	-	-	-	162,664
Accrued expenses and other liabilities	4,168	-	-	-	4,168
	<u>191,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,451</u>

**2012**

	Maturity upto			More than one year	Total
	Three months	Six months	One year		
----- (Rupees in '000) -----					
Payable to Al Meezan Investment Management Limited - Management Company	21,181	-	-	-	21,181
Payable to Central Depository Company of Pakistan Limited - Trustee	1,275	-	-	-	1,275
Payable to Meezan Bank Limited	699	-	-	-	699
Payable on redemption and conversion of units	12,917	-	-	-	12,917
Accrued expenses and other liabilities	522	-	-	-	522
	<u>36,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,594</u>

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

**19. UNITHOLDERS' FUND RISK MANAGEMENT**

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

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

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

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

In accordance with the risk management policies stated in the note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

### Financial assets not carried at fair value

The following table analysis within the fair value hierarchy the Fund's financial assets not measured at fair value as at June 30, 2013 but for which fair value is disclosed:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- (Rupees in '000) -----			
Financial assets as at Fair Value through profit or loss				
- Debt securities	-	<b>8,991,690</b>	-	<b>8,991,690</b>
Financial assets as available for sale				
- Debt securities	-	<b>5,405,965</b>	-	<b>5,405,965</b>
	-	<b>14,397,655</b>	-	<b>14,397,655</b>

GoP Ijarah Sukuks (debt securities) are presently being valued at their face value (inclusive of any unamortised premium) (note 5.1.1 and 5.2.2). The fair value (market value) of these securities at PKISRV as at June 30, 2013 was Rs. 14.397 billion. Therefore, these are stated in level 2 accordingly.

## 21. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders.

Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company has distributed sufficient income of the Fund for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unitholders to avail exemption subsequent to year end (refer note 27).

## 22. PERFORMANCE TABLE

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets (Rs '000) (ex-distribution)*	19,654,233	19,709,509	12,455,125	970,896
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution)*	50.04	50.03	50.01	50.02
Offer price per unit as at June 30 (Rs) (ex-distribution)*	50.38	50.32	50.26	50.27
Distribution (%)				
- Interim				
- First quarter	2.38	2.60	2.50	-
- Second quarter	2.36	2.60	1.30	-
- Third quarter	2.00	2.60	4.20	-
- Fourth quarter	-	2.92	1.75	-
- Annual	2.06	-	1.28	3.60

Dates of distribution (interim)

	2013	2012	2011	2010
- First quarter	<b>September 21, 2012</b>	September 23, 2011	September 30, 2010	-
- Second quarter	<b>December 31, 2012</b>	December 22, 2011	December 31, 2010	-
- Third quarter	<b>March 22, 2013</b>	March 22, 2012	March 30, 2011	-
- Fourth quarter	-	June 28, 2012	May 24, 2011	-
Dates of distribution (annual)	<b>July 8, 2013</b>	-	July 7, 2011	July 7, 2010
Income distribution (Rupees in '000)	<b>449</b>	647,696	520,589	-
Growth distribution (Rupees in '000)	<b>1,300,190</b>	1,204,181	362,249	-
Highest offer price per unit (Rs)	<b>51.50</b>	51.73	52.37	52.08
Lowest offer price per unit (Rs)	<b>50.31</b>	50.32	50.29	50.25
Highest redemption price per unit (Rs)	<b>51.20</b>	51.47	52.11	51.82
Lowest redemption price per unit (Rs)	<b>50.02</b>	50.03	50.04	50.00
Total return (%)	<b>9.11</b>	11.18	11.46	9.70
Weighted Average Portfolio Duration (years)	<b>1.43</b>	2.02	2.43	2.48
	<b>One Year</b>	<b>Two Year</b>	<b>Three Year</b>	<b>Four Year</b>
Average annual return (%) as at June 30, 2013	<b>9.11</b>	10.15	10.58	10.36

\* The distribution is not accounted for in these financial statements as also explained in note 27.

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 18.

## 23. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
1. Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty three years
2. Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
3. Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Nine years
4. Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Six years
5. Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Four years
6. Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Six years

23.2 The Fund Manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund
- Meezan Islamic Income Fund

## 24. Brokerage Commission By Percentage

Name of the broker	2013 %
JS Global Capital Limited	58
Elixir Securities Pakistan (Private) Limited	18
Invest & Finance Securities Limited	9
Invest Capital Markets Limited	8
C&M Management Limited	7
Name of the broker	2012 %
Optimus Capital Management (Private) Limited (formerly Invisor Securities (Private) Limited)	35
Elixir Securities Pakistan (Private) Limited	29
BMA Capital Management Limited	24
Invest Capital Markets Limited	8
JS Global Capital Limited	4

## 25. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	--Dates of Board of Directors Meetings and Directors' present therein--					
		Jul 9, 2012	Sep 21, 2012	Oct 19, 2012	Jan 21, 2013	Apr 19, 2013	Jun 17, 2013
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	No	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	No	Yes	No	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Mohammad Shoab	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes

## 26. PATTERN OF UNIT HOLDING

	As at June 30, 2013		
	Number of investors	Investment amount Rupees in '000	Percentage of total investment
Individuals	5,317	6,732,722	34.26%
Associated companies / directors	11	8,771,209	44.63%
Insurance companies	14	338,931	1.72%
Banks / DFIs	1	498,231	2.53%
NBFCs	1	3,298	0.02%
Retirement funds	49	529,118	2.69%
Public limited companies	5	468,360	2.38%
Others	162	2,312,364	11.77%
<b>Total</b>	<b>5,560</b>	<b>19,654,233</b>	<b>100%</b>

As at June 30, 2012			
Number of investors	Investment amount Rupees in '000	Percentage of total investment	
Individuals	4,640	6,183,755	31.38
Associated companies / directors	7	8,034,961	40.77
Insurance companies	13	226,587	1.15
Banks / DFIs	2	2,081,286	10.56
NBFCs	3	6,129	0.03
Retirement funds	44	302,450	1.53
Public limited companies	9	827,605	4.20
Others	95	2,046,736	10.38
<b>Total</b>	<b>4,813</b>	<b>19,709,509</b>	<b>100.00</b>

**27. NON ADJUSTING EVENT**

The board of directors of the Management Company of the Fund in its meeting held on July 8, 2013 has announced a final payout of 2.06% (2012: Nil) amounting to Rs 396.44 million (2012: Nil) equivalent to bonus units 7,918,853 (2012: Nil) and cash dividend of Rs 0.18 million (2012: Nil).

The financial statements for the year ended June 30, 2013 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ended June 30, 2014.


**28. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Management Company.

**29. GENERAL**

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

# PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

Units held by	Units Held	%
<b>Associated Companies</b>		
Meezan Bank Limited	148,829,382	38.67
Al Meezan Investment Management limited	12,335,789	3.21
Al Meezan Investment Management Limited -Employee Gratuity Fund	40,842	0.01
Meezan Financial Planning Fund		
- Aggressive Allocation Plan	1,206,429	0.31
- Conservative Allocation Plan	3,798,177	0.99
- Moderate Allocation Plan	1,468,730	0.38
<b>Chief Executive</b>		
Mr. Mohammad Shaoib	2,294,799	0.60
<b>Directors</b>		
Mr. Arif ul Islam	1,478,110	0.38
Mr. Syed Amir Ali	103,644	0.03
Mr. Mazhar sharif	190,013	0.05
Mr. Tasnim ul haq farooqi	19,645	0.01
<b>Executives</b>	319,793	0.08
<b>Public Limited Companies</b>	9,171,832	2.38
<b>Bank &amp; Financial Institutes</b>	16,394,025	4.26
<b>Mutual Funds</b>	64,586	0.02
<b>Retirement Funds</b>	10,361,643	2.69
<b>Other Corporate Sector entities</b>	45,282,712	11.77
<b>Individuals</b>	131,526,108	34.17
<b>Total</b>	<b>384,886,259</b>	<b>100</b>







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# FUND INFORMATION

## MANAGEMENT COMPANY

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre  
Shahrah-e-Faisal, Karachi 74400, Pakistan.  
Phone: (9221) 3563 0722-6, 111-MEEZAN  
Fax: (9221) 3567 6143, 3563 0808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S., Main Sharah-e-Faisal, Karachi-74400.

## AUDITORS

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

## SHARIAH ADVISOR

Meezan Bank Limited

## BANKERS TO THE FUND

Askari Bank Limited - Islamic Banking	Habib Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking	Meezan Bank Limited
Bank Al Habib Limited - Islamic Banking	MCB Bank Limited - Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking	Faysal Bank Ltd.
Habib Metropolitan Bank Limited - Islamic Banking	UBL Ameen
National Bank of Pakistan	

## LEGAL ADVISER

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi - 75530  
Phone: (9221) 3565 7658-59 Fax: (9221) 3565 7673  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi. Phone: (9221) 3206 2891 Fax: (9221) 3255 2771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

# REPORT OF THE FUND MANAGER

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

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

## Investment Policy

The fund provides valued 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

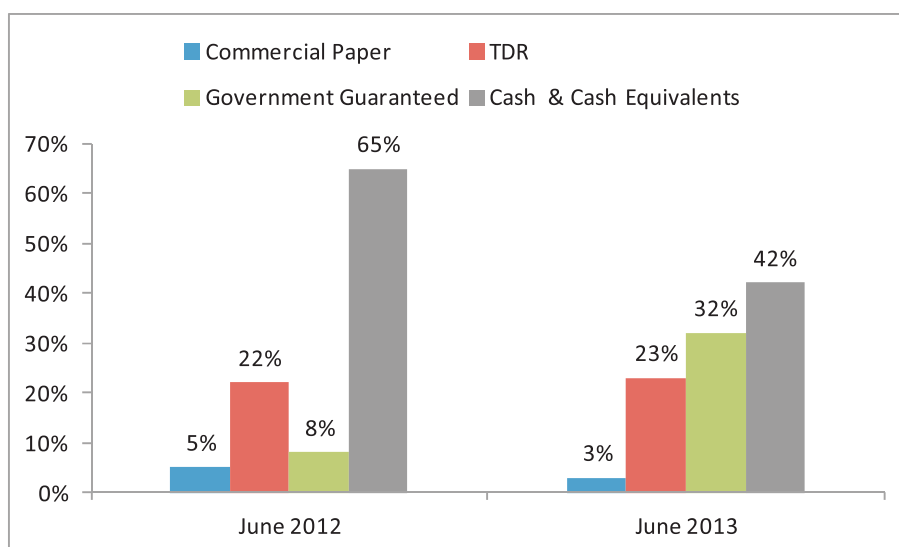
## Strategy Implementation - Strategic and tactical Asset Allocation

Al Meezan Investments launched Pakistan's first Shariah compliant money market fund - Meezan Cash Fund in June 2009. The fund completed its fourth full year of operations during the year.

As per its investment policy, MCF can invest or place funds in instruments/avenues with a credit rating of 'double A' (AA) and above. 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 for the year ended FY12 and FY13

Details of asset allocations are briefed here:



## Performance Review

Meezan Cash Fund (MCF) provided a competitive return of 8.78% to its investors for the year ended June 30, 2013.

The Fund during the year earned a gross income of Rs. 676.30 million. Profit on bank deposits and placements amounting to Rs. 599.96 million and profit on sukuku certificates amounting to Rs.78.31 million were the main contributors of income of the Fund. After accounting for expenses of Rs. 103.66 million and element of loss and capital losses included in prices of units sold less those in units redeemed of Rs.4.06 million, the Fund posted a net income of Rs. 568.57 million as compared to Rs. 708.43 million for the corresponding period.

The net assets of the Fund were Rs. 6,510.77 million as at June 30, 2013 as compared to Rs. 7,418.77 million in the corresponding period and the net asset value per unit (NAV) was Rs. 50.06.

## Performance Table with Benchmark

	MCF	Six Month Deposits with Islamic Banks
Net Asset Value as on June 30, 2013	50.06	
Net Asset Value as on June 30, 2012	50.08	
Return During the Period - Net	8.78%	6.91%
Return During the Period - Gross		
Outperformance - Net	1.87%	
Outperformance - Gross		

## Distributions

The Board of Directors in its meeting held on July 8, 2013 approved NIL distribution for the year ended June 30, 2013. The interim distributions by the Fund during the fiscal year ended June 30, 2013 were Rs. 4.24 per unit (8.48%).

## 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, 2013)

Range of Units	Number of Unit Holders
Up to 10,000	5,622
Between 10,001 to 50,000	984
Between 50,001 to 100,000	157
Between 100,001 to 500,000	114
From 500,001 and above	32
Total	6,909



## Meezan Bank

The Premier Islamic Bank

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

August 20, 2013/ Shawwal 12, 1434

**Alhamdulillah**, the period from July 1, 2012 to June 30, 2013 was the fifth year of operations of Meezan Cash Fund (MCF) under management of Al Meezan Investment Management Limited (Al Meezan). We Meezan Bank Limited are the *Shari'ah* Advisor of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls 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, 2013 have been in compliance with *Shari'ah* principles.

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

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

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

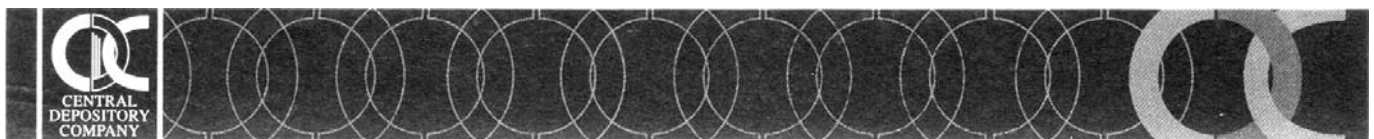
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2013 in accordance with the provisions of the following:

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

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 11, 2013



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Islamabad Stock Exchange Limited (Formerly Islamabad Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.



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

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 23, 2013



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

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

### **Review Report to the Unitholders' of Meezan Cash Fund ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund is listed.

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

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

Further, Listing Regulations notified by the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

**Date: 23 August 2013**

**Karachi**

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

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



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

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

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Cash Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *Other Matters*


The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of Chartered Accountants, who vide their report dated 19 October 2012, addressed to the Unitholders, had expressed an unmodified opinion thereon.

### *Report on Other Legal and Regulatory Requirements*

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

**Date: 23 August 2013**

**Karachi**

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

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


# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Assets</b>			
Balances with banks	4	2,620,449	4,614,198
Investments	5	3,842,500	2,603,500
Profit receivable	6	133,404	257,153
Preliminary expenses and floatation costs	7	572	1,171
Deposit and prepayments		318	302
<b>Total assets</b>		<b>6,597,243</b>	<b>7,476,324</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8	6,805	7,767
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	469	600
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	5,024	5,207
Payable on redemption and conversion of units		25,315	8,599
Brokerage payable		129	-
Dividend payable		13	5
Accrued expenses and other liabilities	11	48,714	35,375
<b>Total liabilities</b>		<b>86,469</b>	<b>57,553</b>
<b>Net assets</b>		<b>6,510,774</b>	<b>7,418,771</b>
<b>Contingencies and commitments</b>	12		
<b>Unitholders' funds (as per statement attached)</b>		<b>6,510,774</b>	<b>7,418,771</b>
<b>Number of units</b>			
<b>Number of units in issue</b>	13	<b>130,063,253</b>	148,152,204
<b>Rupees</b>			
<b>Net assets value per unit</b>		<b>50.06</b>	50.08

The annexed notes 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


# INCOME STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Income</b>			
Profit on saving accounts with banks		442,480	574,668
Profit on placements		157,482	175,670
Profit on sukuk certificates		42,579	71,886
Profit on Government of Pakistan (GoP) Ijarah Sukuks		35,733	3,431
Other income		10	45
		<u>678,284</u>	<u>825,700</u>
Unrealised loss on re-measurement of investments 'at fair value through profit or loss' (net)	5.2	(1,982)	-
<b>Total income</b>		<u>676,302</u>	<u>825,700</u>
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - Management Company	8.1	67,734	69,427
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	11,348	11,108
Remuneration to Central Depository Company of Pakistan Limited - Trustee	9	6,213	6,464
Annual fee to Securities and Exchange Commission of Pakistan	10	5,024	5,207
Auditors' remuneration	14	431	442
Legal and professional charges		-	6
Fees and subscription		250	222
Amortisation of preliminary expenses and floatation costs	7	599	602
Brokerage		129	-
Bank and settlement charges		138	123
Printing and stationery expenses		427	260
Provision for Workers' Welfare Fund (WWF)	15	11,371	34,632
<b>Total expenses</b>		<u>103,664</u>	<u>128,493</u>
<b>Net income from operating activities</b>		<u>572,638</u>	<u>697,207</u>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed (net)		(4,067)	11,220
<b>Net income for the year before taxation</b>		<u>568,571</u>	<u>708,427</u>
Taxation	21	-	-
<b>Net income for the year after taxation</b>		<u>568,571</u>	<u>708,427</u>
Other comprehensive income for the year		-	-
<b>Items can be reclassified to income statement in subsequent periods</b>			
<b>Total comprehensive income for the year</b>		<u>568,571</u>	<u>708,427</u>

The annexed notes 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

# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in '000)	
Undistributed income brought forward		
- Realised	10,288	3,711
- Unrealised	-	-
	10,288	3,711
Less: Distributions for the year		
Interim distribution on July 22, 2012		
- bonus units @ 0.6% (Rs 0.3 per unit)	(41,008)	-
- cash dividend @ 0.6% (Rs 0.3 per unit)	(39)	-
Interim distribution on August 22, 2012		
- bonus units @ 1% (Rs 0.5 per unit)	(68,325)	-
- cash dividend @ 1% (Rs 0.5 per unit)	(3)	-
Interim distribution on August 23, 2011		
- bonus units @ 1.70% (Rs 0.85 per unit)	-	(97,720)
- cash dividend @ 1.70% (Rs 0.85 per unit)	-	(10,890)
Interim distribution September 20, 2012		
- bonus units @ 0.76% (Rs 0.38 per unit)	(50,316)	-
- cash dividend @ 0.76% (Rs 0.38 per unit)	(6)	-
Interim distribution on September 23, 2011		
- bonus units @ 0.90% (Rs 0.45 per unit)	-	(46,330)
- cash dividend @ 0.90% (Rs 0.45 per unit)	-	(10,289)
Interim distribution on October 22, 2012		
- bonus units @ 0.84% (Rs 0.42 per unit)	(56,221)	-
- cash dividend @ 0.84% (Rs 0.42 per unit)	(6)	-
Interim distribution on October 20, 2011		
- bonus units @ 0.88% (Rs 0.44 per unit)	-	(46,186)
- cash dividend @ 0.88% (Rs 0.44 per unit)	-	(10,024)
Interim distribution on November 22, 2012		
- bonus units @ 0.72% (Rs 0.36 per unit)	(49,177)	-
- cash dividend @ 0.72% (Rs 0.36 per unit)	(5)	-
Interim distribution on November 22, 2011		
- bonus units @ 0.98% (Rs 0.49 per unit)	-	(50,785)
- cash dividend @ 0.98% (Rs 0.49 per unit)	-	(11,163)
Interim distribution on December 20, 2012		
- bonus units @ 0.64% (Rs 0.32 per unit)	(42,866)	-
- cash dividend @ 0.64% (Rs 0.32 per unit)	(4)	-
Interim distribution on December 21, 2011		
- bonus units @ 0.80% (Rs 0.40 per unit)	-	(42,980)
- cash dividend @ 0.80% (Rs 0.40 per unit)	-	(9,110)
Interim distribution on January 22, 2013		
- bonus units @ 0.72% (Rs 0.36 per unit)	(47,382)	-
- cash dividend @ 0.72% (Rs 0.36 per unit)	(6)	-
Interim distribution on January 22, 2012		
- bonus units @ 0.86% (Rs 0.43 per unit)	-	(47,552)
- cash dividend @ 0.86% (Rs 0.43 per unit)	-	(9,801)


# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in '000)	2012
Interim distribution on February 21, 2013		
- bonus units @ 0.64% (Rs 0.32 per unit)	(44,774)	-
- cash dividend @ 0.64% (Rs 0.32 per unit)	(8)	-
Interim distribution on February 22, 2012		
- bonus units @ 0.88% (Rs 0.44 per unit)	-	(51,088)
- cash dividend @ 0.88% (Rs 0.44 per unit)	-	(10,029)
Interim distribution on March 22, 2013		
- bonus units @ 0.62% (Rs 0.31 per unit)	(41,555)	-
- cash dividend @ 0.62% (Rs 0.31 per unit)	(8)	-
Interim distribution on March 19, 2012		
- bonus units @ 0.80% (Rs 0.40 per unit)	-	(47,934)
- cash dividend @ 0.80% (Rs 0.40 per unit)	-	(13,091)
Interim distribution on April 23, 2013		
- bonus units @ 0.68% (Rs 0.34 per unit)	(46,197)	-
- cash dividend @ 0.68% (Rs 0.34 per unit)	(8)	-
Interim distribution on April 22, 2012		
- bonus units @ 0.80% (Rs 0.40 per unit)	-	(46,951)
- cash dividend @ 0.80% (Rs 0.40 per unit)	-	(19,331)
Interim distribution on May 23, 2013		
- bonus units @ 0.60% (Rs 0.30 per unit)	(40,078)	-
- cash dividend @ 0.60% (Rs 0.30 per unit)	(16)	-
Interim distribution on May 22, 2012		
- bonus units @ 0.90% (Rs 0.45 per unit)	-	(52,076)
- cash dividend @ 0.90% (Rs 0.45 per unit)	-	(21,752)
Interim distribution on June 24, 2013		
- bonus units @ 0.66% (Rs 0.33 per unit)	(42,646)	-
- cash dividend @ 0.66% (Rs 0.33 per unit)	(18)	-
Interim distribution on June 21, 2012		
- bonus units @ 0.64% (Rs 0.32 per unit)	-	(46,763)
- cash dividend @ 0.64% (Rs 0.32 per unit)	-	(5)
	<b>(570,672)</b>	<b>(701,850)</b>
Net income for the year	<b>568,571</b>	<b>708,427</b>
Undistributed income carried forward	<b>8,187</b>	<b>10,288</b>
Undistributed income carried forward		
- Realised	<b>10,169</b>	<b>10,288</b>
- Unrealised	<b>(1,982)</b>	<b>-</b>
	<b>8,187</b>	<b>10,288</b>

The annexed notes 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 UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in '000)	2012
Net assets at beginning of the year	7,418,771	5,955,829
Issue of 154,199,655 units (June 30, 2012: 254,768,262 units)	7,739,667	12,802,748
Redemption of 183,694,789 units (June 30, 2012: 237,182,629 units)	(9,220,175) (1,480,508)	(11,911,528) 891,220
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed (net)	4,067	(11,220)
Issue of 11,406,183 bonus units (2012: 11,524,197 bonus units)	570,545	576,365
Unrealised loss on re-measurement of investments 'at fair value through profit or loss' (net)	(1,982)	-
Total other comprehensive income for the year	570,553	708,427
<b>Interim distributions:</b>		
- Issue of 818,800 bonus units and cash distribution on July 22, 2012	(41,047)	-
- Issue of 1,364,407 bonus units and cash distribution on August 22, 2012	(68,328)	-
- Issue of 1,954,007 bonus units and cash distribution on August 23, 2011	-	(108,610)
- Issue of 1,006,995 bonus units and cash distribution on September 20, 2012	(50,322)	-
- Issue of 926,235 bonus units and cash distribution on September 23, 2011	-	(56,619)
- Issue of 1,124,342 bonus units and cash distribution on October 22, 2012	(56,227)	-
- Issue of 923,709 bonus units and cash distribution on October 20, 2011	-	(56,210)
- Issue of 983,149 bonus units and cash distribution on November 22, 2012	(49,182)	-
- Issue of 1,015,710 bonus units and cash distribution on November 22, 2011	-	(61,948)
- Issue of 856,387 bonus units and cash distribution on December 20, 2012	(42,870)	-
- Issue of 859,420 bonus units and cash distribution on December 21, 2011	-	(52,090)
- Issue of 947,589 bonus units and cash distribution on January 22, 2013	(47,388)	-
- Issue of 950,272 bonus units and cash distribution on January 22, 2012	-	(57,353)
- Issue of 895,139 bonus units and cash distribution on February 21, 2013	(44,782)	-
- Issue of 1,020,949 bonus units and cash distribution on February 22, 2012	-	(61,117)
- Issue of 830,957 bonus units and cash distribution on March 21, 2013	(41,563)	-
- Issue of 958,512 bonus units and cash distribution on March 19, 2012	-	(61,025)
- Issue of 923,756 bonus units and cash distribution on April 23, 2013	(46,205)	-
- Issue of 940,704 bonus units and cash distribution on April 22, 2012	-	(66,282)
- Issue of 801,394 bonus units and cash distribution on May 23, 2013	(40,094)	-
- Issue of 1,039,430 bonus units and cash distribution on May 22, 2012	-	(73,828)
- Issue of 853,268 bonus units and cash distribution on June 24, 2013	(42,664)	-
- Issue of 935,249 bonus units and cash distribution on June 21, 2012	-	(46,768)
<b>Net income for the year less distribution</b>	<b>(2,101)</b>	<b>6,577</b>
Net assets at end of the year	<b>6,510,774</b>	<b>7,418,771</b>
	<b>(Rupees)</b>	
Net assets value per unit at beginning of the year	<b>50.08</b>	50.03
Net assets value per unit at end of the year	<b>50.06</b>	50.08

The annexed notes 1 to 28 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 YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		568,571	708,427
<b>Adjustments for:</b>			
Amortisation of preliminary expenses and floatation costs		599	602
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed (net)		4,067	(11,220)
		<b>573,237</b>	697,809
<b>(Increase) / decrease in assets</b>			
Deposit and prepayments		(16)	(12)
Profit receivable		123,749	(105,369)
Investments (net)		(1,239,000)	(428,500)
		<b>(1,115,267)</b>	(533,881)
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		(962)	3,133
Payable to Central Depository Company of Pakistan Limited - Trustee		(131)	144
Payable to Securities and Exchange Commission of Pakistan		(183)	587
Brokerage payable		129	(45)
Accrued expenses and other liabilities		13,339	34,719
		<b>12,192</b>	38,538
<b>Net cash (used in) / inflow from operating activities</b>		<b>(529,838)</b>	202,466
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance of units		7,739,667	12,802,748
Payment against redemption of units		(9,203,459)	(11,924,805)
Dividend paid		(119)	(132,908)
<b>Net cash (used in) / inflow from financing activities</b>		<b>(1,463,911)</b>	745,035
Net (decrease) / increase in cash and cash equivalents during the year		<b>(1,993,749)</b>	947,501
Cash and cash equivalents at beginning of the year		4,614,198	3,666,697
Cash and cash equivalents at end of the year	4	<b>2,620,449</b>	4,614,198

The annexed notes 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 THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2013

### 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. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3 The Fund is an open-end Shariah compliant (Islamic) Money Market Scheme listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The Management Company has been given a quality rating of AM2 and the stability rating of the Fund is AA(f) given by JCR-VIS.
- 1.5 Title to the assets of the Fund are held in the name of CDC as a Trustee.

### 2. BASIS OF PRESENTATION

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

#### 2.1 Statement of compliance

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentational currency

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

## 2.4 Critical accounting estimates and judgements

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

- (a) Classification and valuation of financial instruments (notes 3.1 and 5);
- (b) Impairment of financial instruments (note 3.1.6);
- (c) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7);
- (d) Recognition of provision for Workers' Welfare Fund (note 15).

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 1, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Assets and Liabilities or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to the Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on the financial statements of the Fund.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Financial instruments

##### 3.1.1 Classification

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

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

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

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

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

##### b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

##### c) Loans and receivables

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

##### d) Available for sale

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

### 3.1.2 Regular way contracts

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

### 3.1.3 Recognition

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

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

### 3.1.4 Measurement

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

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

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

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

### 3.1.5 Fair value measurement principles

The fair value of financial instruments is determined as follows:

#### *Basis of valuation of government securities*

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

#### *Basis of valuation of debt securities*

- The fair value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in Circular No 33 of 2012 dated October 24, 2012 issued by SECP.
- Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the circular and subsequent clarification thereon. Additional provision may be recognised when there is objective evidence of the continuity of non-performance. Further, the reversal of provisions are also made in accordance with the said circular and subsequent clarification.

Financial assets and financial liabilities are priced at their fair value.

### 3.1.6 Impairment

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

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. 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, among other indicators, as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, 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 Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through Income Statement. If in any subsequent period, the fair value of a debt instrument classified 'as available for sale' increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through Income Statement.

### 3.1.7 Derecognition

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

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

### 3.1.8 Offsetting of financial instruments

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

## 3.2 Unitholders' fund

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

## 3.3 Issuance and redemption of units

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

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

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

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

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

### 3.5 Provisions

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

### 3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and includes underwriting commission, commission to bankers to issue, brokerage paid to members at the stock exchange and other expenses. These costs are being amortised over a period of five years commencing from June 15, 2009 in accordance with the requirements of the Trust Deed of the Fund and NBFC Regulations 2008.

### 3.7 Net assets value per unit

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

### 3.8 Taxation

#### *Current*

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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001.

#### *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.

However, the Fund intends to avail the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.



### 3.9 Revenue recognition

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

### 3.10 Expenses

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

### 3.11 Earnings per unit

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

### 3.12 Cash and cash equivalents

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

### 3.13 Distribution

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

## 4. BALANCES WITH BANKS

	Note	2013 (Rupees in '000)	2012
On saving accounts	4.1 & 4.2	<b>2,607,116</b>	4,608,704
On current accounts	4.2	<b>13,333</b>	5,494
		<b><u>2,620,449</u></b>	<u>4,614,198</u>

4.1 The balances in saving accounts have an expected profit ranging from 5.65% to 9.05% per annum (2012: 5.19% to 12.10% per annum).

4.2 The balance includes Rs. 44.908 million (2012: Rs. 67.029 million) with related party, Meezan Bank Limited, on which return is earned at 5.65% (2012: 5.65%) per annum. During the current year, the credit rating of Meezan Bank Limited was upgraded from AA- to AA.

5. INVESTMENTS	Note	2013 (Rupees in '000)	2012
Investments - 'loans and receivables' - Placements	5.1	1,500,000	1,600,000
Investments - 'fair value through profit or loss'			
- Held for trading	5.2	2,117,500	625,000
- Fair value through profit or loss upon initial recognition	5.3	225,000	378,500
		<b>2,342,500</b>	1,003,500
		<b>3,842,500</b>	2,603,500

### 5.1 Placements

Name of the bank	Maturity	Profit range	As at July 1, 2012	Placements made during the year	Matured during the year	As at June 30, 2013	Percentage of total value of investments
Habib Bank Limited	March 27, 2013	9.5	-	500,000	(500,000)	-	-
Bank Al -Falah Limited	July 03, 2013 & July 24, 2013	9.05 and 9.09	1,600,000	7,900,000	(8,000,000)	1,500,000	39.04%
						<b>1,500,000</b>	

5.1.1 During the year, placements have an expected profit ranging from 9.05% to 11.9% per annum (2012: 11.80% to 13.02% per annum).

### 5.2 Held for trading

Name of the Issuer	Maturity	Profit rate	As at July 01, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss)	Percentage of market value of total investments
GoP Ijarah Sukuk - IV (note 5.2.1)	September 17, 2012	Weighted Average 6 months T-Bills less 5 basis points	6,250	-	6,250	-	-	-	-	-
GoP Ijarah Sukuk - V (note 5.2.1)	November 15, 2013	Weighted Average 6 months T-Bills	-	21,175	-	21,175	2,119,482	2,117,500	(1,982)	55.11
<b>Total</b>							<b>2,119,482</b>	<b>2,117,500</b>	<b>(1,982)</b>	
<b>Total cost of investment</b>							<b>2,119,482</b>			

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

5.2.2 GoP Ijarah Sukuks are valued at their face value as allowed by MUFAP after consultation with SECP. Had the Sukuks been valued at PKISRV the investment would have been higher by Rs 3.176 million as at 30 June 2013.

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

Name of the Issuer	Maturity	Profit rate	As at July 01, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss)	Percentage of total market value of investments
			-----Number of Certificates-----			-----Rupees in '000-----		----- % -----		
Kot Addu Power Company Limited - Sukuk	June 11, 2013	6 months KIBOR plus base rate of 1.1%	-	45,000	45,000	-	-	-	-	-
HUB Power Company Limited - Sukuk	August 4, 2012	6 months KIBOR plus base rate of 1.1%	60,000	-	60,000	-	-	-	-	-
HUB Power Company Limited - Sukuk	February 15, 2013	6 months KIBOR plus base rate of 1.25%	-	60,000	60,000	-	-	-	-	-
HUB Power Company Limited - Sukuk	July 12, 2013	6 months KIBOR plus base rate of 1.25%	-	45,000	-	45,000	225,000	225,000	-	5.85
Engro Fertilizers Limited - Sukuk (note 5.3.1)	September 22, 2012	6 months KIBOR plus base rate of 1.5%	15,700	-	15,700	-	-	-	-	-
<b>Total</b>							<b>225,000</b>	<b>225,000</b>	<b>-</b>	
<b>Total cost of investment</b>								<b>225,000</b>		

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

	Note	2013 (Rupees in '000)	2012
<b>6. PROFIT RECEIVABLE</b>			
Profit receivable on:			
- Saving accounts with banks		<b>79,458</b>	187,362
- Placements		<b>21,460</b>	29,607
- Sukuk certificates		<b>7,323</b>	18,793
- GoP Ijarah Sukuks	6.1	<b>25,163</b>	21,391
		<b>133,404</b>	257,153

6.1 This includes an amount of Rs 5.170 million (2012: 17.960 million) accrued till the deal date at the time of outright purchase of GoP Ijarah Sukuk.

### 7. PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance		<b>1,171</b>	1,773
Less: Amortised during the year	7.1	<b>599</b>	602
Closing balance		<b>572</b>	1,171

- 7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund, restricted to one percent of Pre-IPO capital, and are being amortised over a period of five years, commencing from the end of the initial offering period, in accordance with the trust deed of the Fund and NBFC Regulations, 2008.

	Note	2013 (Rupees in '000)	2012
<b>8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company</b>			
Management fee	8.1	5,426	6,696
Sindh Sales Tax and Federal Excise duty on management fee	8.2 & 8.3	1,379	1,071
		<u>6,805</u>	<u>7,767</u>

- 8.1 Under the provisions of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. In accordance with the offering document of the Fund, the remuneration of the Management Company is restricted to 1% per annum of average annual net assets of the Fund for the year ended June 30, 2013.

- 8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from July 01, 2011.

- 8.3 With effect from June 13, 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company and sales load through Finance Act, 2013.

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

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed in accordance with the tariff specified therein, based on the daily net assets value of the Fund. The rates have been revised effective from April 01, 2013. The revised tariff structure is as follows:

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

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

This represents annual fee at the rate of 0.075 percent of the average annual net assets of the Fund payable to the SECP under regulation 62 read with Schedule II of NBFC Regulations, 2008.

11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2013 (Rupees in '000)	2012
Auditors' remuneration		300	300
Annual listing fee		-	10
Withholding tax payable		162	68
Printing expense		486	265
Zakat payable		85	100
WWF payable	15	46,004	34,632
Other payable		1,677	-
		<u>48,714</u>	<u>35,375</u>

## 12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2013.

13. NUMBER OF UNITS IN ISSUE	2013 (Number of units)	2012
13.1 The movement in number of units in issue during the year / period is as follows:		
Total units in issue at the beginning of the year	148,152,204	119,042,374
Add: units issued during the year	154,199,655	254,768,262
Add: bonus units issued during the year	11,406,183	11,524,197
Less: units redeemed during the year	<u>(183,694,789)</u>	<u>(237,182,629)</u>
Total units in issue at the end of the year	<u>130,063,253</u>	<u>148,152,204</u>

13.2 The Fund may issue following classes of units:

### Class Description

- A Units have been issued to Core Investors with no front-end load and no back-end load. Any bonus units issued for distribution of income shall also be Class A units.
- B Units shall be issued to Pre-IPO investors and may be charged with front-end load.
- C Units shall be issued after the IPO period and may be charged with front-end load.
- D Units shall be issued after the IPO period and may be charged with a back-end load.

13.3 According to the offering document dated June 5, 2009, the Management Company of the Fund may issue the following types of units:

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unit holders shall also be the growth units; and
- Income units which shall be entitled to dividend in case of any distribution by the Fund.

	Note	2013 (Rupees in '000)	2012
<b>14. AUDITORS' REMUNERATION</b>			
Statutory Audit fee		190	190
Half yearly review		100	100
Other certifications and services		110	110
Out of pocket expenses		31	42
		<b>431</b>	<b>442</b>

#### 15. WORKERS' WELFARE FUND

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

In 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF. In December 2010, the Ministry filed its responses against the constitutional petition requesting the Court to dismiss the same, whereafter show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable Sindh High Court (SHC) on the basis of the pending constitutional petition as referred above. No such notice was received by the Fund.

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

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2013. The Fund has recognized WWF charge upto June 30, 2013 amounting to Rs. 46 million which includes Rs. 11.37 million pertaining to the current year and Rs. 34.63 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.35 (0.71%).

## 16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTY

The 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 officers of the Management Company, Meezan Islamic Fund, Meezan Islamic Income Fund, Al Meezan Mutual Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Sovereign Fund, Meezan Capital Protected Fund - II, KSE Meezan Index Fund and Meezan Financial Planning Fund of funds being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Provident Fund and Al Meezan Investment Management Limited - Staff Gratuity Fund.

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

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

Details of balances and transactions with connected persons at year end are as follows:

	2013	2012
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited</b>		
<b>- Management Company</b>		
Remuneration payable	<u>5,426</u>	<u>6,696</u>
Sindh Sales Tax and Federal Excise Duty on management fee payable	<u>1,379</u>	<u>1,071</u>
<b>Meezan Bank Limited</b>		
Balances with bank	<u>44,908</u>	<u>67,029</u>
Profit receivable on saving account	<u>1,111</u>	<u>466</u>
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee payable	<u>469</u>	<u>600</u>
Deposit	<u>100</u>	<u>100</u>
<b>Al Meezan Investment Management Limited</b>		
<b>- Staff Provident Fund</b>		
Investment of Nil units (June 30, 2012 : 4,315 units)	<u>-</u>	<u>216</u>
<b>Al Meezan Investment Management Limited</b>		
<b>- Staff Gratuity Fund</b>		
Investment of 41,018 units (June 30, 2012 : 37,696 units)	<u>2,053</u>	<u>1,888</u>
<b>Directors and officers of the Management Company</b>		
Investment of 463,275 units (June 30, 2012: 479,694 units)	<u>23,192</u>	<u>24,023</u>

	For the year ended June 30,	
	2013	2012
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited</b>		
<b>- Management Company</b>		
Remuneration for the year	<u>67,734</u>	<u>69,427</u>
Sindh Sales Tax and Federal Excise Duty on management fee	<u>11,348</u>	<u>11,108</u>
<b>Meezan Bank Limited</b>		
Profit on saving account	<u>1,526</u>	<u>1,140</u>
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee for the year	<u>6,213</u>	<u>6,464</u>
CDS charges	<u>6</u>	<u>6</u>
<b>Al Meezan Investment Management Limited</b>		
<b>- Staff Provident Fund</b>		
Redemptions: 4,664 units (June 30, 2012: nil unit)	<u>235</u>	<u>-</u>
Bonus units issued: 349 units (June 30, 2012: 414 units)	<u>17</u>	<u>21</u>
<b>Al Meezan Investment Management Limited</b>		
<b>- Staff Gratuity Fund</b>		
Units issued: Nil units (June 30, 2012: 105,179 units)	<u>-</u>	<u>5,300</u>
Redemptions: Nil units (June 30, 2012: 71,692 units)	<u>-</u>	<u>3,600</u>
Bonus units issued: 3,322 units (June 30, 2012: 2,815 units)	<u>166</u>	<u>141</u>
<b>Directors and officers of the Management Company</b>		
Units issued: 219,970 units (June 30, 2012: 349,387 units)	<u>11,011</u>	<u>15,889</u>
Redemptions: 265,894 units (June 30, 2012: 366,740 units)	<u>13,317</u>	<u>18,385</u>
Bonus units issued: 29,505 units (June 30, 2012: 44,243 units)	<u>1,476</u>	<u>2,207</u>



## 17. FINANCIAL INSTRUMENTS BY CATEGORY

Loans and receivables	2013			Total
	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>				
Balances with banks	2,620,449	-	-	2,620,449
Investments - placements	1,500,000	-	-	1,500,000
Investments - sukuk certificates	-	2,342,500	-	2,342,500
Profit receivable	133,404	-	-	133,404
Deposit	100	-	-	100
	<u>4,253,953</u>	<u>2,342,500</u>	<u>-</u>	<u>6,596,453</u>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan Investment Management Limited - Management Company	-	-	6,805	6,805
Payable to Central Depository Company - Trustee	-	-	469	469
Payable on redemption and conversion of units	-	-	25,315	25,315
Brokerage payable	-	-	129	129
Dividend payable	-	-	13	13
Accrued expenses and other liabilities	-	-	2,463	2,463
	<u>-</u>	<u>-</u>	<u>35,194</u>	<u>35,194</u>
----- (Rupees in '000) -----				
2012				
Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>				
Balances with banks	4,614,198	-	-	4,614,198
Investments - placements	1,600,000	-	-	1,600,000
Investments - sukuk certificates	-	1,003,500	-	1,003,500
Profit receivable	257,153	-	-	257,153
Deposit	100	-	-	100
	<u>6,471,451</u>	<u>1,003,500</u>	<u>-</u>	<u>7,474,951</u>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan Investment Management Limited- Management Company	-	-	7,767	7,767
Payable to Central Depository Company - Trustee	-	-	600	600
Payable on redemption and conversion of units	-	-	8,599	8,599
Brokerage payable	-	-	-	-
Dividend payable	-	-	5	5
Accrued expenses and other liabilities	-	-	575	575
	<u>-</u>	<u>-</u>	<u>17,546</u>	<u>17,546</u>

## 18. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

### 18.1 Market risk

#### 18.1.1 Interest rate risk

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

##### *Cash flow interest rate risk*

The Funds interest rate risk arises from the balances in saving accounts, investment in debt securities and short-term placements.

At June 30, 2013, 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. 49.496 million (2012: Rs 56.122 million) mainly as a result of finance income.

##### *Fair value interest rate risk*

As at June 30, 2013, the Fund also holds placements which are classified as 'loans and receivables'. Since 'loans and receivables' are carried at amortised cost, any increase or decrease in market interest rates will not affect the net income for the year nor the net assets of the Fund as at June 30, 2013.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2013 is not necessary indicative of the effect on the Fund's net assets due to future movements in interest rates.

#### 18.1.2 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of a change in market price (other than Currency risk or Interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instrument traded in the market. The Fund, at present is not exposed to price risk as at June 30, 2013 as it does not invest in equity securities.

#### 18.1.3 Currency risk

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

## 18.2 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 short-term placements with banks, deposits with banks, profit receivable and investments in debt securities. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. 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. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund further minimises the credit risk. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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

The maximum exposure to credit risk as at June 30, 2013, along with comparative is tabulated below:

	2013	2012
	(Rupees in '000)	
<b>Financial assets</b>		
Balances with banks	<b>2,620,449</b>	4,614,198
Investments	<b>1,725,000</b>	1,978,500
Profit receivable	<b>108,241</b>	235,762
Deposit	<b>100</b>	100
	<b><u>4,453,790</u></b>	<u>6,828,560</u>

The credit wise analysis of investment in debt instruments as at June 30, 2013 and comparative have been tabulated below:

	2013	2012
	..... % .....	
Government guaranteed	<b>90.39</b>	62.28
AA	-	7.82
Non-rated	<b>9.61</b>	29.90
	<b><u>100.00</u></b>	<u>100.00</u>

Credit rating wise analysis of balances with banks and placements of the Fund are tabulated below:

	2013	2012
	..... % .....	
AAA	<b>0.15</b>	0.03
AA+	<b>60.20</b>	59.25
AA	<b>39.65</b>	39.64
AA-	-	1.08
	<b>100.00</b>	<b>100.00</b>

None of the financial assets were considered to be past due or impaired as on June 30, 2013.

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

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

### 18.3 Liquidity risk

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

In accordance with the regulation 58(1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow Funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of fifteen percent of the net assets which amounts to Rs. 976.616 million as on June 30, 2013 (2012: Rs. 1,112.816 million). However, no such borrowing has been obtained during the year.

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

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

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2013, alongwith comparative is tabulated below:

	2013				Total
	Maturity upto				
	Three months	Six months	One year	More than one year	
	----- (Rupees in '000) -----				
Payable to Al Meezan Investment Management Limited - Management Company	6,805	-	-	-	6,805
Payable to Central Depository Company - Trustee	469	-	-	-	469
Payable on redemption and conversion of units	25,315	-	-	-	25,315
Brokerage payable	129	-	-	-	129
Dividend payable	13	-	-	-	13
Accrued expenses and other liabilities	2,463	-	-	-	2,463
	<b>35,194</b>	-	-	-	<b>35,194</b>
	-----				
	2012				Total
	Maturity upto				
	Three months	Six months	One year	More than one year	
	----- (Rupees in '000) -----				
Payable to Al Meezan Investment Management Limited - Management Company	7,767	-	-	-	7,767
Payable to Central Depository Company - Trustee	600	-	-	-	600
Payable on redemption and conversion of units	8,599	-	-	-	8,599
Brokerage payable	-	-	-	-	-
Dividend payable	5	-	-	-	5
Accrued expenses and other liabilities	575	-	-	-	575
	<b>17,546</b>	-	-	-	<b>17,546</b>
	-----				

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

## 19. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

In accordance with the risk management policies stated in the note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

20.1 The following table represents the assets that are measured at fair value as at June 30, 2013:

Assets	Level 1	Level 2	Level 3	Total
<b>Investments - 'at fair value through profit or loss'</b>	----- (Rupees in '000) -----			
Financial assets designated as 'at fair value through profit or loss'				
- Debt securities	-	-	225,000	225,000
	<u>-</u>	<u>-</u>	<u>225,000</u>	<u>225,000</u>

The following table represents the assets that are measured at fair value as at June 30, 2012:



Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments - 'at fair value through profit or loss'</b>				
Financial assets classified as held for trading				
- Debt securities	-	625,000	-	625,000
Financial assets designated as 'at fair value through profit or loss'				
- Debt securities	-	378,500	-	378,500
	<u>-</u>	<u>1,003,500</u>	<u>-</u>	<u>1,003,500</u>

## 20.2 Financial assets not carried at fair value

The following table analysis within the fair value hierarchy of the Fund's financial assets not measured at fair value as at June 30, 2013 but for which fair value is disclosed:

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments - 'at fair value through profit or loss'</b>				
Financial assets classified as held for trading				
- Debt securities	-	2,120,676	-	2,120,676
	<u>-</u>	<u>2,120,676</u>	<u>-</u>	<u>2,120,676</u>

GoP Ijarah Sukuks (debt securities) are presently being valued at their face value (note 5.2.2). The fair value (market value) of these securities at PKISRV as at June 30, 2013 was Rs 2.121 billion. Therefore, these are stated in level 2 accordingly.

## 21. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company has distributed sufficient income of the Fund for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unitholders to avail exemption.

<b>22. PERFORMANCE TABLE</b>	<b>2013</b>	2012	2011	2010	2009
Net assets (Rs '000) (ex-distribution)	<b>6,510,774</b>	7,418,771	5,955,829	5,224,268	623,857
Net Income (Rs '000)	<b>568,571</b>	708,427	623,075	418,517	2,050
Net assets value / redemption price per unit as at					
June 30 (Rs) (ex-distribution) *	<b>50.06</b>	50.08	50.03	50.00	50.01
Offer price per unit as at June 30 (Rs) (ex-distribution) *	<b>50.06</b>	50.08	50.03	50.00	50.01
<b>Distribution (%)</b>					
- First interim distribution	<b>0.60</b>	1.70	2.45	3.50	-
- Second interim distribution	<b>1.00</b>	0.90	2.50	3.00	-
- Third interim distribution	<b>0.76</b>	0.88	2.70	-	-
- Fourth interim distribution	<b>0.84</b>	0.98	1.70	-	-
- Fifth interim distribution	<b>0.72</b>	0.80	-	-	-
- Sixth interim distribution	<b>0.64</b>	0.86	-	-	-
- Seventh interim distribution	<b>0.72</b>	0.88	-	-	-
- Eighth interim distribution	<b>0.64</b>	0.80	-	-	-
- Ninth interim distribution	<b>0.62</b>	0.80	-	-	-
- Tenth interim distribution	<b>0.68</b>	0.90	-	-	-
- Eleventh interim distribution	<b>0.60</b>	0.64	1.16	3.38	0.30
- Twelvth interim distribution (Final distribution)	<b>0.66</b>	-	-	-	-
<b>Dates of distribution</b>					
- First interim distribution	<b>Jul 22, 2012</b>	Aug 23, 2011	Sep 30, 2010	Jan 04, 2010	-
- Second interim distribution	<b>Aug 22, 2012</b>	Sep 23, 2011	Dec 31, 2010	Apr 02, 2010	-
- Third interim distribution	<b>Sep 20, 2012</b>	Oct 20, 2011	Mar 29, 2011	-	-
- Fourth interim distribution	<b>Oct 22, 2012</b>	Nov 22, 2011	May 23, 2011	-	-
- Fifth interim distribution	<b>Nov 22, 2012</b>	Dec 21, 2011	-	-	-
- Sixth interim distribution	<b>Dec 20, 2012</b>	Jan 22, 2012	-	-	-
- Seventh interim distribution	<b>Jan 22, 2013</b>	Feb 22, 2012	-	-	-
- Eighth interim distribution	<b>Feb 21, 2013</b>	Mar 19, 2012	-	-	-
- Ninth interim distribution	<b>Mar 21, 2013</b>	Apr 22, 2012	-	-	-
- Tenth interim distribution	<b>Apr 23, 2013</b>	May 22, 2012	-	-	-
- Eleventh interim distribution	<b>May 23, 2013</b>	Jun 21, 2012	Jun 28, 2011	Jul 7, 2010	Jul 6, 2009
- Twelvth interim distribution (Final distribution)	<b>Jun 24, 2013</b>	-	-	-	-
Income distribution (Rupees in '000)	<b>127</b>	125,485	50,126	12,104	-
Growth distribution (Rupees in '000)	<b>570,545</b>	576,365	569,253	406,583	1,865
Highest offer price per unit (Rs)	<b>50.51</b>	50.86	51.69	52.48	50.16
Lowest offer price per unit (Rs)	<b>50.00</b>	50.01	50.01	50.11	50.00
Highest redemption price per unit (Rs)	<b>50.51</b>	50.86	51.69	52.48	50.16
Lowest redemption price per unit (Rs) *	<b>50.00</b>	49.96	50.01	50.11	50.00
Total return (%)	<b>8.78</b>	10.55	11.03	10.10	10.62
	<b>One Year</b>	<b>Two Year</b>	<b>Three Year</b>	<b>Four Year</b>	<b>Five Year</b>
Average annual return (%) as at June 30, 2013	<b>8.78</b>	9.63	10.08	10.08	10.19

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



### Investment portfolio composition of the Fund

The Fund is a money market fund as per the categorisation of open end collective investment scheme defined in Circular 7 of 2009 dated March 6, 2010. Investment avenues for money market fund as defined in the said circular are restricted to government securities, debt securities, cash and near cash instruments which includes cash in bank accounts (excluding term deposit receipts), treasury bill, money market placements, deposits, certificate of deposits (COD), certificate of Musharakas (COM), commercial paper and reverse repo. The Fund has, therefore, placed all its assets in saving accounts and placements with banks and has invested in debt securities as disclosed in note 5.

Weighted average time to maturity of the Fund's placements and debt securities as at June 30, 2013 is 83 days (2012: 48 days).

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

### 23. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
1. Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty three years
2. Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
3. Ms. Sanam Ali Zaib	Head of Research	CFA / MBA	Nine years
4. Mr. Ahmed Hasan	AVP Investments	CFA / MBA	Six years
5. Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Four years
6. Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Six years

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

- Meezan Islamic Income Fund
- Meezan Sovereign Fund

### 24. BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2013
JS Global Capital	76.78%
Invest and Finance Securities	15.47%
KASB Securities Limited	7.75%

### 25. PATTERN OF UNIT HOLDING

	As at June 30, 2013		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	6,664	3,061,070	47.02
Associated companies / directors	4	17,666	0.27
Insurance companies	13	219,728	3.37
Banks / DFIs	8	334,355	5.14
Retirement Funds	40	118,657	1.82
Public limited companies	23	1,021,304	15.69
Others	157	1,737,994	26.69
Total	6,909	6,510,774	100.00

As at June 30, 2012

	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	%
Individuals	4,781	3,508,083	47.29
Associated companies / directors	3	14,577	0.20
Insurance companies	11	83,049	1.12
Banks / DFIs	7	1,435,114	19.34
Retirement Funds	43	125,748	1.69
Public limited companies	23	1,135,956	15.31
Others	125	1,116,244	15.05
<b>Total</b>	<b>4,993</b>	<b>7,418,771</b>	<b>100.00</b>

## 26. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein					
		Jul 9, 2012	Sep 21, 2012	Oct 19, 2012	Jan 21, 2013	Apr 19, 2013	Jun 17, 2013
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	No	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	No	Yes	No	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Mohammad Shoab	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes

## 27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Management Company.

## 28. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

For Al Meezan Investment Management Limited  
(Management Company)

  
Mohammad Shoab, CFA  
Chief Executive

  
Syed Amir Ali Zaidi  
Director

# PATTERN OF HOLDING (UNITS) AS PER THE REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

Units held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited Staff Gratuity Fund	41,018	0.03
<b>Directors</b>		
Ariful Islam	264,849	0.20
Tasnimul haq farooqui	49,080	0.04
Mazhar Shareef	12,191	0.01
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	1,412	-
<b>Executives</b>	135,743	0.1
<b>Public Limited Companies</b>	20,401,607	15.69
<b>Banks and financial institutions</b>	6,679,078	5.14
<b>Individuals</b>	61,044,185	46.93
<b>Retirement funds</b>	2,370,292	1.82
<b>Other corporate sector entities</b>	37,894,217	29.14
<b>Non-Profit Organization</b>	1,169,581	0.90
<b>Total</b>	<b>130,063,253</b>	<b>100.00</b>



CAPITAL PROTECTION AND  
GROWTH HAND IN HAND

meezan  
capital protected fund-II  
میزان

# 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  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoab, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoab, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Dubai Islamic Bank Pakistan Limited  
Habib Metropolitan Bank Limited - Islamic Banking  
Meezan Bank Limited  
Bank Al Falah Limited - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi - 75530  
Phone: (9221) 3565 7658-59 Fax: (9221) 3565 7673  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi.  
Phone: 32062891 Fax: 32552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

# REPORT OF THE FUND MANAGER

Meezan Capital Protected Fund II (MCPF-II) is an open end capital protected fund investing in Shariah compliant fixed income securities and listed equity securities. The Capital Protection Segment is invested in Government of Pakistan Ijarah Sukuks, while the Investment Segment is invested in listed equity securities.

The objective of MCPF-II is to pay investors, with certain conditions, their Principal Investment and to provide them with a high level of total return over the life of the Fund in a Shariah compliant manner.

## Strategy, Investment Policy and Asset Allocation

The benchmark of MCPF-II is the rate of return on Bank Deposits for three Islamic Banks and KMI-30 in weightages of the Capital Protection and Investment Segments of the Fund respectively. The Fund Manager, Al Meezan Investment Management Limited, manages the fund with an aim to preserve investor's capital and provide them with high returns through investments in listed equity securities.

## Asset Allocation

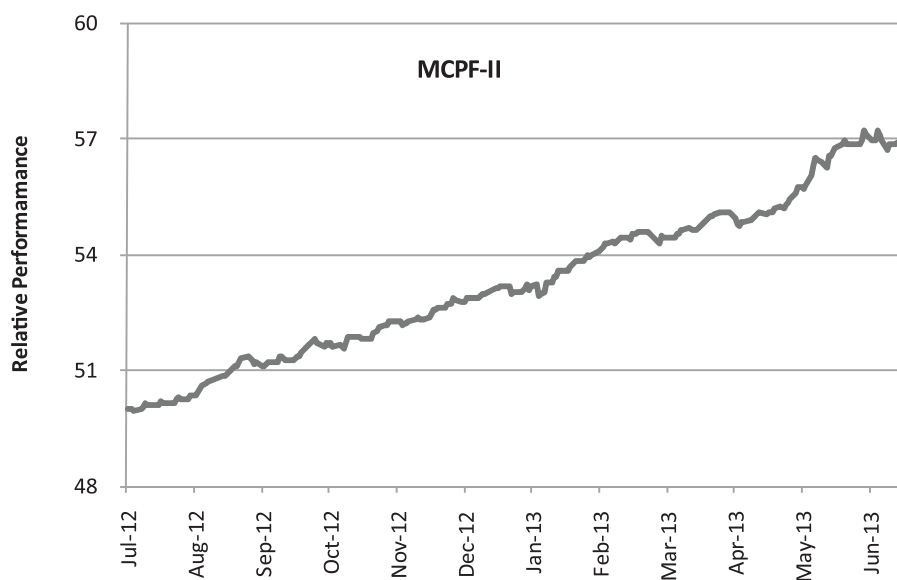
As on June 30, 2013, the fund's equity exposure was 18%, while 77.7% of the Net Assets was invested in Government of Pakistan Ijarah Sukuks.

## Performance Review

During the fiscal year 2013, Meezan Capital Protected Fund II (MCPF-II) provided a return of 15.2% to its investors.

Meezan Capital Protected Fund II posted a total income of Rs. 80 million in the fiscal year 2013 as compared to Rs. 64 million last year. Total income comprise mainly of Profit on GOP Ijara Sukuk, realized gains and unrealized gain on investments of Rs. 35 million, 21 million and Rs. 15 million respectively. Dividend income contributed Rs. 5 million to the income, while profit on savings account at banks amounted to Rs. 3 million. After accounting for expenses of Rs. 13 million and an element of loss and capital losses included in prices of units issued and less those in units redeemed of Rs. 0.3 million, the Fund posted a net profit of Rs. 67 million. The net assets of the Fund as at June 30, 2013 were Rs. 506 million as compared to Rs. 443 million at the end of last year. The net asset value (NAV) per unit appreciated from Rs. 50.51 (dividend adjusted) to Rs. 58.19 during the fiscal year 2013.

	<b>MCPF II</b>
Net Asset Value (NAV) as on June 30, 2012 (Dividend Adjusted)	50.51
Net Asset Value (NAV) as on June 30, 2013	58.19
Return During the Period	15.20%



### Charity Statement

The Fund purifies the dividend earned by setting aside from its income an amount payable by the Management Company out of the income of the Trust to a charitable / welfare organization, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2013 an amount of Rs. 0.10 million was accrued as charity payable.

### Distributions

The Board of Directors of Al Meezan in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 5.90 per unit (11.80%) out of the profits of the Fund for the year ended June 30, 2013.

### Breakdown of unit holdings by size:

(As on June 30, 2012)

Range (Units)	No. of investors
1 - 9,999	119
10,000 - 49,999	75
50,000 - 99,999	10
100,000 - 499,999	6
500,000 and above	3
<b>Total</b>	<b>213</b>



**Meezan Bank**  
The Premier Islamic Bank

**Report of the Shari'ah Advisor – Meezan Capital Protected Fund-II**

August 20, 2013/ Shawwal 12, 1434

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) Illiquid assets to total assets, (iv) Investment in non- *Shari'ah* compliant activities to Total assets (v) *Shari'ah* Non Compliant Income to Gross Revenue 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 MCPF-II in light of *Shari'ah* requirements. Following is a list of the top investments of MCPF-II as on June 30, 2013 and their evaluation according to the screening criteria established by us. (December 31, 2012 accounts of the Investee companies have been used for the following calculations)

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non- <i>Shari'ah</i> 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)
DG Khan Cement	Cement Manufacturer	23.93%	28.79%	4.16%	67%	(12.40)	54.58
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	25.41%	19.08%	1.21%	60%	(21.62)	117.14
Engro Foods	Food Producers	32.25%	12.21%	0.21%	71.66%	(7.68)	98.14
Hub Power Company Limited	Power generation & Distribution	33.17%	0.00%	0.00%	36.66%	(30.89)	45.24
Lucky Cement	Cement Manufacturer	6.51%	0.00%	0.00%	93%	(26.30)	151.54
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	32.55%	3.84%	35.89%	37.05	192.61
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.12%	3.74%	72.44%	(45.41)	437.54

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





Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non-Shar'ah 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 Limited	Exploration and Production of Oil & Gas	0.12%	32%	4.88%	34.85%	45.09	176.79
Pakistan State Oil Company Limited	Distribution of Oil & Gas	15.92%	0.00%	0.41%	39.86%	(294.79)	232.21
Pakistan Telecommunication Ltd	Fixed Line Telecommunication	13.65%	12.30%	2.49%	65.84%	(7.69)	17.35

\* All interest based debts.

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

- ii. The capital protection element of the fund is covered through Murabaha transaction of Shares and Sukuks with Meezan bank. Documents and procedure of this arrangement have been evaluated by us and found to be in compliance with the principles of *Shari'ah*. The capital is protected through structure and not guaranteed.
- iii. On the basis of information provided by the management, all operations of MCPF-II for the year ended June 30, 2013 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 MCPF-II under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

During the year a provision of Rupees 0.099 million was created and the same was available for disbursement.

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

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



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN CAPITAL PROTECTED 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 Capital Protected 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 year ended June 30, 2013 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 23, 2013



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE PERIOD ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Islamabad Stock Exchange Limited (Formerly Islamabad Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

---

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 23, 2013



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

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

### **Review Report to the Unitholders' of Meezan Capital Protected Fund - II ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund is listed.

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

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


Further, Listing Regulations notified by the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

**Date: 23 August 2013**

**Karachi**

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

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



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

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

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Capital Protected Fund - II** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *Emphasis of Matter*

We draw attention to note 12 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not modified in respect of the aforementioned matter.

### *Other Matters*


The financial statements of the Fund for the period ended 30 June 2012 were audited by another firm of Chartered Accountants, who vide their report dated 19 October 2012, addressed to the Unitholders, had expressed an unmodified opinion thereon.

### *Report on Other Legal and Regulatory Requirements*

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

**Date: 23 August 2013**

**Karachi**

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

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

# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
Balances with banks	4	<b>14,686</b>	21,328
Investments	5	<b>486,718</b>	418,473
Deposit and other receivables	6	<b>6,169</b>	5,838
Dividend receivable		<b>72</b>	129
Receivable against sale of investments		<b>32</b>	-
Preliminary expenses and floatation costs	7	<b>814</b>	1,536
<b>Total assets</b>		<b>508,491</b>	447,304
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8	<b>779</b>	657
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	<b>54</b>	58
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	<b>356</b>	303
Payable against purchase of investments		-	1,930
Accrued expenses and other liabilities	11	<b>1,406</b>	1,111
<b>Total liabilities</b>		<b>2,595</b>	4,059
<b>Net assets</b>		<b>505,896</b>	443,245
<b>Contingencies and commitments</b>	12		
<b>Unitholders' fund (as per statement attached)</b>		<b>505,896</b>	443,245
<b>Number of units</b>			
<b>Number of units in issue</b>	15	<b>8,693,675</b>	7,809,472
<b>(Rupees)</b>			
<b>Net assets value per unit</b>		<b>58.19</b>	56.76

The annexed notes 1 to 29 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, 2013

	Note	Year ended June 30, 2013	For the period from July 5, 2011 to June 30, 2012
<b>(Rupees in '000)</b>			
<b>Income</b>			
Net realised gain on sale of investments		21,356	14,790
Dividend income		5,295	6,502
Profit on saving accounts with banks		2,564	6,892
Profit on Government of Pakistan (GoP) Ijarah Sukuks		35,292	32,439
Back end load		180	446
		<b>64,687</b>	<b>61,069</b>
Unrealised gain on re-measurement of investments -'at fair value through profit or loss' (net)		15,156	2,477
<b>Total income</b>		<b>79,843</b>	<b>63,546</b>
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - Management Company	8.1	7,074	6,018
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	1,192	963
Remuneration to Central Depository Company - Trustee	9	686	694
Annual fee to Securities and Exchange Commission of Pakistan	10	356	303
Auditors' remuneration	13	395	345
Fees and subscription		18	60
Amortisation of preliminary expenses and floatation costs	7	722	717
Charity expense		99	105
Amortisation of premium - GoP Ijarah Sukuks		879	879
Securities transaction costs		355	704
Legal and professional charges		175	175
Bank and settlement charges		27	32
Provision for Workers' Welfare Fund (WWF)	12	665	-
Printing charges		100	150
		<b>12,743</b>	<b>11,145</b>
<b>Total expenses</b>		<b>12,743</b>	<b>11,145</b>
<b>Net income from operating activities</b>		<b>67,100</b>	<b>52,401</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed (net)		(302)	370
<b>Net income for the year / period before taxation</b>		<b>66,798</b>	<b>52,771</b>
Taxation	21	-	-
<b>Net income for the year / period after taxation</b>		<b>66,798</b>	<b>52,771</b>
Other comprehensive income for the year / period		-	-
<b>Total comprehensive income for the year / period</b>		<b>66,798</b>	<b>52,771</b>

The annexed notes 1 to 29 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




# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2013

	Year ended June 30, 2013	For the period from July 5, 2011 to June 30, 2012
	(Rupees in '000)	
Undistributed income brought forward		
- Realised	50,294	-
- Unrealised	2,477	-
	52,771	-
Final distribution in the form of bonus units @ 12.5% (Rs. 6.25 per unit) for the year ended June 30, 2012	(48,809)	-
Net income for the year / period	66,798	52,771
Undistributed income carried forward	70,760	52,771
Undistributed income carried forward		
- Realised	55,604	50,294
- Unrealised	15,156	2,477
	70,760	52,771

The annexed notes 1 to 29 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 UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	Year ended June 30, 2013	For the period from July 5, 2011 to June 30, 2012
	(Rupees in '000)	
Net assets at beginning of the year / period	443,245	-
Issue of Nil units (2012: 7,900,661 units)	-	395,926
Redemption of 82,124 units (2012: 91,189 units)	(4,449)	(5,082)
	(4,449)	390,844
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed (net)	302	(370)
Issue of 966,327 bonus units for the year ended June 30, 2012 (June 30, 2011: Nil units)	48,809	-
Net realised gain on sale of investments	21,356	14,790
Unrealised appreciation in value of investments	15,156	2,477
Total other comprehensive income for the year / period	30,286	35,504
Issue of 966,327 bonus units for the year ended June 30, 2012 (June 30, 2011: Nil units)	(48,809)	-
<b>Net income for the year less distribution</b>	<b>17,989</b>	<b>52,771</b>
Net assets at end of the year / period	<b>505,896</b>	<b>443,245</b>
	(Rupees)	
Net assets value per unit at beginning of the year / period	<b>56.76</b>	-
Net assets value per unit at end of the year / period	<b>58.19</b>	56.76

The annexed notes 1 to 29 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, 2013

	Note	Year ended June 30, 2013	For the period from July 5, 2011 to June 30, 2012
<b>(Rupees in '000)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year / period		<b>66,798</b>	52,771
<b>Adjustments for:</b>			
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)		<b>(15,156)</b>	(2,477)
Amortisation of preliminary expenses and floatation costs		<b>722</b>	717
Amortisation of premium - GoP Ijarah Sukuks		<b>879</b>	879
Element of loss / (income) and capital losses / (gains) included in issued less those in units redeemed (net)		<b>302</b>	(370)
		<b>53,545</b>	51,520
<b>(Increase) / decrease in assets</b>			
Investments - net		<b>(53,968)</b>	(416,875)
Dividend receivable		<b>57</b>	(129)
Receivable against sale of investments		<b>(32)</b>	-
Deposit and other receivables		<b>(331)</b>	(5,838)
		<b>(54,274)</b>	(422,842)
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		<b>122</b>	657
Payable to Central Depository Company - Trustee		<b>(4)</b>	58
Payable to Securities and Exchange Commission of Pakistan		<b>53</b>	303
Payable against purchase of investments		<b>(1,930)</b>	1,930
Accrued expenses and other liabilities		<b>295</b>	1,111
		<b>(1,464)</b>	4,059
<b>Cash used in operations</b>		<b>(2,193)</b>	(367,263)
Preliminary expenses and floatation costs paid		-	(2,253)
<b>Net cash (used in) operating activities</b>		<b>(2,193)</b>	(369,516)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt against issuance of units		-	395,926
Payments against redemption of units		<b>(4,449)</b>	(5,082)
<b>Net cash (used in) / inflow from financing activities</b>		<b>(4,449)</b>	390,844
Net (decrease) / increase in cash and cash equivalents during the year / period		<b>(6,642)</b>	21,328
Cash and cash equivalents at beginning of the year / period		<b>21,328</b>	-
Cash and cash equivalents at end of the year / period	4	<b>14,686</b>	21,328

The annexed notes 1 to 29 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 THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2013

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Capital Protected Fund-II (the Fund) was established under a Trust Deed executed between Al Meezan as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was executed on May 12, 2011 and was approved by the Securities and Exchange Commission of Pakistan 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, is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The Fund is a capital protected fund with an objective to pay unitholders, subject to certain conditions, their principal investment at maturity and to provide them with high level of total return over the life of the Fund in a Shariah compliant manner. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah guidelines. 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 with maturity of three years and six weeks and is listed on the Islamabad Stock Exchange. The issuance of units has been discontinued since August 15, 2011. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The Management Company has been given a quality rating of AM2 and the stability rating of the Fund is AA(cpf) given by JCR - VIS.
- 1.5 Title to the assets of the Fund are held in the name of Central Depository Company Limited of Pakistan as a Trustee.

### 2. BASIS OF PRESENTATION

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

#### 2.1 Statement of compliance

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and judgements

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

- (a) Classification and valuation of financial instruments (notes 3.1 and 5)
- (b) Impairment of financial instruments (note 3.1.6)
- (c) Recognition of provision for Workers' Welfare Fund (note 12)
- (d) Amortisation of preliminary expenses and floatation costs (notes 3.6 and 7)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Assets and Liabilities or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the financial statements of the Fund.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Financial instruments

##### 3.1.1 Classification

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

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

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

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

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

**b) Held to maturity**

These are securities acquired by the Fund with the intention and ability to hold them up to maturity.

**c) Loans and receivables**

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

**d) Available for sale**

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

**3.1.2 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulations 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 asset or financial liability at 'fair value through profit or loss' are charged to the Income Statement immediately.

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



Financial assets classified as 'loans and receivables' and 'held-to-maturity' 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**

#### *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 which are based on the remaining tenor of the securities.

#### *Basis of valuation of equity securities*

The fair value of shares of listed companies / units of funds are based on their price quoted on the Karachi Stock Exchange at the reporting date without any deduction for estimated future selling costs.

Financial assets and financial liabilities are priced at their fair value.

### **3.1.6 Impairment**

Impairment loss on investments other than 'available for sale' is recognised in the Income Statement whenever the carrying amount of investment exceeds its recoverable amount.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If, any such evidence exists for 'available for sale' financial assets, 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 Income Statement is removed from other comprehensive income and recognised in the Income Statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in other comprehensive income. If in any subsequent period, the fair value of a debt instrument classified as 'available for sale' increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through Income Statement.

### **3.1.7 Derecognition**

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

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

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

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

### 3.2 Unitholders' fund

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

### 3.3 Issuance and redemption of units

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

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

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

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

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

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

### 3.5 Provisions

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

### 3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and includes underwriting commission, brokerage paid to members at the stock exchange and other expenses. These costs are being amortised over a period of three years and six weeks commencing from July 5, 2011 in accordance with the requirements of the Trust Deed of the Fund and NBFC regulations.

### 3.7 Net assets value per unit

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

### 3.8 Taxation

#### *Current*

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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current period as the Fund intends to avail this exemption.

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.

#### *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.

However, the Fund intends to avail the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

### 3.9 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in income currently and are recognised on the date at which the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- (iv) Profit on saving accounts with banks is recorded on effective yield method.
- (v) 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.
- (vi) Income on sukuk certificates, placements and government securities is recognized on a time proportionate basis using effective yield method.

### 3.10 Expenses

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

### 3.11 Earnings per unit

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

### 3.12 Cash and cash equivalents

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

### 3.13 Segment Reporting

Operating segments are reported in the manner consistent with the internal reporting used by the investment committee. The investment committee of the Management Company makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the requirements of the Trust Deed and reports reviewed by its investment committee for taking strategic decisions.

### 3.14 Distribution

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

	Note	2013	2012
(Rupees in '000)			
<b>4. BALANCES WITH BANKS</b>			
On saving accounts	4.1	<b>14,480</b>	21,269
On current accounts		<b>206</b>	59
		<b>14,686</b>	21,328
4.1	The balances in saving accounts have an expected profit which ranges from 5.00% to 9.05% per annum (2012: 5.04% to 12.10% per annum).		
<b>5. INVESTMENTS</b>			
Investments - 'available for sale'	5.1	<b>355,855</b>	333,706
Investments - 'at fair value through profit or loss'	5.2	<b>130,863</b>	84,767
		<b>486,718</b>	418,473

## 5.1 Investments categorised as 'available for sale'

Name of the Issuer	Maturity date	Profit rate	As at July 01, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013 (note 5.1.5)	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investment
GoP Ijarah Sukuk Certificates - VIII (note 5.1.1)	May 16, 2014	Weighted Average 6 months T-Bills	2,800	230	-	3,030	303,855	303,855	-	62.43
GoP Ijarah Sukuk Certificates - IX (note 5.1.1)	December 26, 2014	Weighted Average 6 months T-Bills	220	-	-	220	22,000	22,000	-	4.52
GoP Ijarah Sukuk Certificates - XII (note 5.1.1)	June 28, 2015	Weighted Average 6 months T-Bills	300	-	-	300	30,000	30,000	-	6.16
<b>Total cost of investment</b>							<b>355,855</b>	<b>355,855</b>	<b>-</b>	

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

5.1.2 For the purpose of capital protection, the Fund has allocated 75.5% of the initial fund size to the capital protected segment. In this respect the Fund has provided capital protection by placing the assets of the segment in Islamic banks for the period July 5, 2011 to Aug 3, 2011. For the remaining period, from August 4, 2011 to June 30, 2013, the Fund had invested the deposits placed in the banks in GoP Ijarah sukuks.

5.1.3 The remaining assets of the Fund are allocated to investment segment (note 14).

5.1.4 The duration of the capital protection segment is 3 years and 6 weeks from the first day of initial offering period.

5.1.5 GoP Ijarah Sukuks are valued at their face value (inclusive of any unamortised premium) as allowed by MUFAP after consultation with SECP. Had the Sukuks been valued at PKISRV the investment would have been lower by Rs 0.025 million as at 30 June 2013.

	Note	2013	2012
(Rupees in '000)			
5.2 Investments 'at fair value through profit or loss'			
Shares of listed companies	5.2.1	<b>90,863</b>	84,767
GoP Ijarah Sukuks	5.2.2	<b>40,000</b>	-
		<b>130,863</b>	<b>84,767</b>

## 5.2.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investment
	-----Number of shares-----					----- (Rupees in '000) -----			%
<b>Construction and materials</b>									
Akzo Nobel Pakistan Limited	3,843	4,999	-	8,842	-	-	-	-	-
DG Khan Cement Company Limited	113,401	169,000	-	282,000	401	21	34	13	0.01
Lucky Cement Limited	61,548	7,500	-	27,000	42,048	4,894	8,818	3,924	1.81
Kohat Cement Company Limited	-	60,000	-	60,000	-	-	-	-	-
									<b>1.82</b>
<b>Electricity</b>									
Hub Power Company Limited	242,870	57,000	-	270,000	29,870	1,732	1,840	108	<b>0.38</b>
<b>Oil and gas</b>									
Oil and Gas Development Company Limited	38,300	2,800	-	-	41,100	6,677	9,402	2,725	1.93
Attock Refinery Limited	-	8,000	-	8,000	-	-	-	-	-
Pakistan Petroleum Limited	27,200	63,800	9,550	62,000	38,550	7,293	8,156	863	1.68
Pakistan Oil Fields Limited	16,000	23,300	-	19,300	20,000	8,718	9,947	1,229	2.04
Pakistan State Oil Company Limited	23,707	66,000	15,430	32,000	73,137	17,603	23,432	5,829	4.81
National Refinery Limited	991	-	-	991	-	-	-	-	-
Attock Petroleum Limited	14,000	-	-	8,600	5,400	2,562	3,030	468	0.62
									<b>11.08</b>
<b>Automobile assembler</b>									
Millat Tractors Company Limited	2,302	18,200	460	20,962	-	-	-	-	-
<b>Fixed line telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	494,190	473,000	-	823,000	144,190	2,884	3,200	316	<b>0.66</b>
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Company Limited	189,480	193,500	-	247,500	135,480	5,304	5,086	(218)	1.04
Fauji Fertilizer Company Limited	120,000	-	-	74,400	45,600	5,064	4,899	(165)	1.01
ICI Pakistan Limited	7,641	-	-	5,000	2,641	346	440	94	0.09
									<b>2.14</b>
<b>General industrials</b>									
Tri Pack Films Limited	5,000	-	-	-	5,000	1,050	1,010	(40)	<b>0.21</b>
<b>Personal goods</b>									
Nishat Mills Limited	-	32,000	-	-	32,000	3,182	3,015	(167)	<b>0.62</b>
<b>Food producers</b>									
Engro Foods Limited	30,000	241,500	-	210,737	60,763	8,357	8,554	197	<b>1.76</b>
<b>Total</b>						<b>75,687</b>	<b>90,863</b>	<b>15,176</b>	
<b>Total cost of investments</b>							<b>75,455</b>		

5.2.1.1 All shares have a face value of Rs 10 each.

## 5.2.2 GoP Ijarah Sukuks

Name of the issuer	Maturity date	Profit rate	As at July 01, 2012	Purchases during the year	Bonus issue	Sale / redemptions during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013 (note 5.2.2.2)	Unrealised loss as at June 30, 2013	Percentage of market value of total investment
	-----Number of shares-----							----- (Rupees in '000) -----			%
Sukuk Certificates											
GoP Ijarah Sukuk Certificates XIV (note 5.2.2.1)	March 28, 2016	Weighted average 6 months T-Bills	-	400	-	-	400	40,020	40,000	(20)	8.22
<b>Total</b>								<b>40,020</b>	<b>40,000</b>	<b>(20)</b>	
<b>Total cost of investments</b>									<b>40,020</b>		

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

5.2.2.2 GoP Ijarah Sukuks are valued at their face value as allowed by MUFAP after consultation with SECP. Had the Sukuks been valued at PKISRV the investment would have been lower by Rs 0.024 million as at 30 June 2013.

		2013	2012
<b>6. DEPOSIT AND OTHER RECEIVABLES</b>		<b>(Rupees in '000)</b>	
Security deposit		<b>100</b>	100
Profit receivable on saving accounts with banks		<b>1,469</b>	1,459
Profit receivable on GoP Ijarah Sukuks		<b>4,600</b>	4,279
		<b>6,169</b>	5,838
<b>7. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance	7.1	<b>1,536</b>	2,253
Less: Amortisation during the year / period		<b>722</b>	717
Closing balance		<b>814</b>	1,536

7.1 Preliminary expenses and floatation costs represent expenditures incurred prior to the commencement of the operations of the Fund, restricted to one percent of Pre-IPO capital, and are being amortised over a period of three years and six weeks commencing from the end of the initial offering period in accordance with the requirements of the Trust Deed of the Fund and NBFC Regulation, 2008.

	Note	2013	2012
<b>8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company</b>		<b>(Rupees in '000)</b>	
Management fee	8.1	<b>620</b>	541
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	<b>159</b>	87
Sales load payable		<b>-</b>	29
		<b>779</b>	657

8.1 Under the provisions of NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of three percent per annum of average annual net assets invested under the investment segment and one percent per annum of average annual net assets invested under the capital protected segment. However, the Fund has set a threshold of 1.5 percent per annum of the average annual net assets with respect to remuneration to the Management Company.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16 percent on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

8.3 With effect from June 13, 2013, the Federal Government levied Federal Excise Duty at the rate of 16 percent on the remuneration of the Management Company and sales load through Finance Act, 2013.

## 9. PAYABLE TO CENTRAL DEPOSITORY COMPANY (CDC) - Trustee

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed in accordance with the tariff specified therein, based on the average daily net assets value of the Fund. The tariff applicable during the period from June 2012 to March 2013 aggregates to Rs 0.7 million or 0.13 percent per annum of average daily net assets value of the Fund, whichever is higher. With effect from April 1, 2013, the remuneration of the Trustee has been calculated in accordance with the revised tariff structure being 0.13 percent per annum of average daily net assets value of the Fund.

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

This represents annual fee payable to the Securities and Exchange Commission of Pakistan at the rate of 0.075 percent of the average annual net assets of the Fund under regulation 62 read with Schedule II of NBFC Regulations.

	Note	2013	2012
(Rupees in '000)			
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Audit Fee Payable		260	225
Printing charges payable		96	122
Charity payable	11.1	210	105
Provision for WWF		665	-
Profit payable to Pre-IPO investors		-	659
Credit Rating Fee		175	-
		1,406	1,111

11.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 0.210 million is outstanding in this regard. None of the directors of the Management Company of the Fund were interested in any of donees.

## 12. CONTINGENCIES AND COMMITMENTS

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, during the year ended June 30, 2010, a constitutional petition has been filed by certain CISs through their Trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2011 a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF.



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

The Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has not recognised WWF charge upto December 31, 2012 amounting to Rs. 1.69 million. Had the same been made, the net assets value per unit of the Fund would have been lower by Rs. 0.19 (0.33%).

However, the management as a matter of abundant caution has recognised WWF charge from January 1, 2013 to June 30, 2013 amounting to Rs. 0.665 million.

There were no other contingencies and commitments outstanding as at June, 30 2013.

<b>13. AUDITORS' REMUNERATION</b>	<b>Note</b>	<b>Year ended June 30, 2013</b>	For the period from July 5, 2011 to June 30, 2012
<b>(Rupees in '000)</b>			
Audit fee		<b>150</b>	150
Half yearly review		<b>75</b>	75
Other certifications		<b>145</b>	110
Out of pocket expenses		<b>25</b>	10
		<b>395</b>	345

#### **14. OPERATING SEGMENTS**

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

In accordance with the Trust Deed, the Fund consists of two segments, a capital protected segment and an investment segment. The capital protected segment includes that part of the Fund which is invested in such a way that it grows to the level of principal investment upon the level of maturity of the Fund where as the investment segment includes that portion of the Fund property that is invested in assets with minimum investment grade, wherever applicable, that have the potential to give a high return to investors.

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

	Year ended June 30, 2013			For the period from July 5, 2011 to June, 30 2012		
	Investment Segment	Capital Protected Segment	Total	Investment Segment	Capital Protected Segment	Total
	----- (Rupees in '000) -----					
Net realised gain on sale of investments	21,356	-	21,356	14,790	-	14,790
Dividend income	5,295	-	5,295	6,502	-	6,502
Profit on saving accounts with banks	-	-	-	6,892	-	6,892
Profit income on GoP Ijarah Sukuks	6,442	28,850	35,292	10,989	21,450	32,439
Unrealised gain on re-measurement of investments 'at fair value through profit or loss'	15,156	-	15,156	2,477	-	2,477
Remuneration to Al Meezan	(1,733)	(5,341)	(7,074)	(1,113)	(4,905)	(6,018)
Sindh Sales Tax and Federal Excise Duty on management fee	(277)	(855)	(1,132)	(178)	(785)	(963)
Amortisation of Premium - GoP Ijarah Sukuks	(141)	(738)	(879)	(456)	(422)	(878)
Bank and settlement charges	(382)	-	(382)	(684)	(38)	(722)
Charity	(99)	-	(99)	(105)	-	(105)
<b>Total net segment income</b>	<b>45,617</b>	<b>21,916</b>	<b>67,533</b>	<b>39,114</b>	<b>15,300</b>	<b>54,414</b>
Total segment assets - as at 30 June	120,891	370,499	491,390	186,991	258,677	445,668
Total segment liabilities - as at 30 June	401	588	989	2,157	535	2,692

	As at June 30, 2013			As at June 30, 2012		
	Investment Segment	Capital Protected Segment	Total	Investment Segment	Capital Protected Segment	Total
	----- (Rupees in '000) -----					
Total segment assets include:						
Investments - 'fair value through profit or loss'	62,944	68,189	130,863	33,874	50,893	84,767
Investments - 'available for sale'	56,931	298,924	355,855	147,372	186,334	333,706
Profit receivable on savings accounts	-	-	-	1,459	-	1,459
Profit receivable on sukuk certificates	1,214	3,386	4,600	1,483	2,796	4,279
Dividend receivable	72	-	72	129	-	129
Balances with banks	-	-	-	2,674	18,654	21,328
<b>Total segment assets</b>	<b>120,891</b>	<b>370,499</b>	<b>491,390</b>	<b>186,991</b>	<b>258,677</b>	<b>445,668</b>
Total segment liabilities include:						
Payable to Al Meezan	191	588	779	122	535	657
Payable against purchase of investments	-	-	-	1,930	-	1,930
Charity payable	210	-	210	105	-	105
<b>Total segment liabilities</b>	<b>401</b>	<b>588</b>	<b>989</b>	<b>2,157</b>	<b>535</b>	<b>2,692</b>

There were no transactions between reportable segments.

A reconciliation of the total net segmental income to net income is provided as follows:

	<b>Year ended June 30, 2013</b>	For the period from July 5, 2011 to June 30, 2012
	(Rupees in '000)	
Total net segment income	<b>67,533</b>	54,414
Back end load	<b>180</b>	446
Profit on saving accounts with banks	<b>2,564</b>	
Expenses other than segment expenses	<b>(3,177)</b>	(2,459)
Element of income and capital gains included in the prices of units issued less those in units redeemed (net)	<b>(302)</b>	370
Net income for the year / period	<b>66,798</b>	52,771

The amounts provided to the investment committee with respect to total assets are measured in a manner consistent with international accounting standards as applicable in Pakistan, except for investments, which are based on the quoted market prices at the close of the trading in case of listed securities. The Fund's other receivables and prepayments are not considered to be segment assets and are managed by the administration function.

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

	<b>June 30, 2013</b>	June 30, 2012
	(Rupees in '000)	
Segment assets for reportable segments	<b>491,390</b>	445,668
Deposit with CDC	<b>100</b>	100
Preliminary expenses and floatation costs	<b>814</b>	1,536
Profit receivable on saving accounts with banks	<b>1,469</b>	-
Receivable against sale of investments	<b>32</b>	-
Balances with banks	<b>14,686</b>	-
<b>Total assets</b>	<b>508,491</b>	447,304

The amounts provided to the investment committee with respect to total assets are measured in a manner consistent with international accounting standards as applicable in Pakistan. The Fund's payables for Trustee fee, SECP fee and other administration fees are not considered to be segment liabilities and are managed by the administration function.

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

	<b>June 30, 2013</b>	June 30, 2012
	(Rupees in '000)	
Segment liabilities for reportable segments	<b>989</b>	2,692
Payable to CDC - Trustee of the Fund	<b>54</b>	58
Payable to SECP	<b>356</b>	303
Accrued expenses and other liabilities	<b>1,196</b>	1,006
<b>Total liabilities</b>	<b>2,595</b>	4,059

**2013**                      2012  
(Number of units)

**15. NUMBER OF UNITS IN ISSUE**

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

Total units in issue at the beginning of the year / period	<b>7,809,472</b>	-
Add: units issued during the year / period	-	7,900,661
Add: bonus units issued during the year / period	<b>966,327</b>	-
Less: units redeemed during the year / period	<b>(82,124)</b>	(91,189)
Total units in issue at the end of the year / period	<b><u>8,693,675</u></b>	<u>7,809,472</u>

15.2 The Fund may issue the following classes of units:

<b>Class</b>	<b>Description</b>
A	Units shall be charged with front-end and back end load.
B	Units that shall be offered for subscription if and when the Fund is re-opened for subscription and shall be charged with front-end and back-end load.
C	Units that shall be announced from time to time and shall be charged with back-end load.

The par value of each unit is Rs 50. The Management Company of the Fund has set a minimum initial investment limit of Rs 5,000. All units carry equal rights and are entitled to dividends and payment of net asset value on liquidation.

**16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

The 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 officers of the Management Company and Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Cash Fund, Meezan Sovereign Fund, Al Meezan Mutual Fund, Meezan Islamic Fund, Meezan Financial Planning Fund of Funds and KSE Meezan Index Fund being the funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Provident Fund, and Al Meezan Investment Management Limited - Staff Gratuity Fund.

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

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

Details of transactions with connected persons and balances with them for the year ended June 30, 2013 along with comparative are as follows:

	<b>As at June 30, 2013</b>	As at June 30, 2012
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	<u>620</u>	<u>541</u>
Sindh Sales Tax and Federal Excise Duty payable on management fee	<u>159</u>	<u>87</u>
Sales Load Payable	<u>-</u>	<u>29</u>
Investment of 2,247,476 units (June 30, 2012: 2,000,000 units)	<u>130,781</u>	<u>113,520</u>
<b>Meezan Bank Limited</b>		
Balances with bank	<u>1,813</u>	<u>556</u>
Profit receivable on saving accounts	<u>75</u>	<u>22</u>
Investment of 2,247,476 units (June 30, 2012: 2,000,000 units)	<u>130,781</u>	<u>113,520</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	<u>54</u>	<u>58</u>
Deposit	<u>100</u>	<u>100</u>
<b>Directors and officers of the Management Company</b>		
Investment of 1,124 units (June 30, 2012: 1,000 units)	<u>65</u>	<u>57</u>
	<b>Year ended June 30, 2013</b>	For the period from July 5, 2011 to June 30, 2012
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year / period	<u>7,074</u>	<u>6,018</u>
Sindh Sales Tax and Federal Excise Duty on management fee for the year / period	<u>1,192</u>	<u>963</u>
Purchase of Nil units (2012: 2,000,000 units)	<u>-</u>	<u>100,000</u>
Preliminary expenses and floatation cost paid	<u>-</u>	<u>2,253</u>
Bonus units issued: 247,476 units (2012: Nil units)	<u>12,500</u>	<u>-</u>
<b>Meezan Bank Limited</b>		
Profit on saving accounts with bank	<u>55</u>	<u>31</u>
Purchase of Nil units (2012: 2,000,000 units)	<u>-</u>	<u>100,000</u>
Bonus units issued: 247,476 units (2012: Nil units)	<u>12,500</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	<u>686</u>	<u>694</u>
CDS charges	<u>13</u>	<u>16</u>
<b>Directors and officers of the Management Company</b>		
Purchase of Nil units (2012: 1,000 units)	<u>-</u>	<u>50</u>
Bonus units issued: 124 units (2012: Nil units)	<u>6</u>	<u>-</u>

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	2013				Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
------(Rupees in '000)-----					
<b>On balance sheet - financial assets</b>					
Balances with banks	14,686	-	-	-	14,686
Investments	-	130,863	355,855	-	486,718
Deposit and other receivable	6,169	-	-	-	6,169
Receivable against sale of investments	32	-	-	-	32
Dividend receivable	72	-	-	-	72
	<u>20,959</u>	<u>130,863</u>	<u>355,855</u>	<u>-</u>	<u>507,677</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited- Management Company	-	-	-	779	779
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	54	54
Accrued expenses and other liabilities	-	-	-	741	741
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,574</u>	<u>1,574</u>

	2012				Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
------(Rupees in '000)-----					
<b>On balance sheet - financial assets</b>					
Balances with banks	21,328	-	-	-	21,328
Investments	-	84,767	333,706	-	418,473
Deposit and other receivable	5,838	-	-	-	5,838
Dividend receivable	129	-	-	-	129
	<u>27,295</u>	<u>84,767</u>	<u>333,706</u>	<u>-</u>	<u>445,768</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited- Management Company	-	-	-	657	657
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	58	58
Payable against purchase of investments	-	-	-	1,930	1,930
Accrued expenses and other liabilities	-	-	-	1,111	1,111
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,756</u>	<u>3,756</u>

## 18. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

Risk of the Funds 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 Securities and Exchange Commission of Pakistan.

Risks managed and measured by the Fund are explained as follows:

### 18.1 Credit risk

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

Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of profit receivable on saving account, dividend receivable on equity securities and 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. Credit risk on dividend receivable is minimal due to statutory protection. 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. Further, all transactions in securities are executed through approved brokers and for Debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by Trustee minimize the credit risk. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

<b>Financial assets</b>	<b>2013</b>	<b>2012</b>
	<b>(Rupees in '000)</b>	
Balances with banks	<b>14,686</b>	21,328
Deposit and other receivable	<b>1,569</b>	-
Receivable against sale of investments	<b>32</b>	-
Dividend receivable	<b>72</b>	129
	<b>16,359</b>	<b>21,457</b>

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

None of the financial assets were considered to be past due or impaired as on 30 June 2013.

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

	2013	2012
	%	
AA+	<b>87.53</b>	97.21
AA-	<b>12.41</b>	2.61
A	<b>0.06</b>	0.18
	<b>100.00</b>	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 concentrations of credit risk.

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

	2013	2012
	%	
Government guaranteed	<b>81.33</b>	79.74

## 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 daily cancellation of units and it is, therefore, exposed to the liquidity risk of meeting unitholder's redemptions at any time. The Fund's investments are considered to be readily realisable as they are listed on stock exchanges of the country. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In accordance with the regulation 58(1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs. 75.884 million as at June 30, 2013 (2012: Rs. 66.487 million). However, no such defer redemption request has been exercised by the Fund during the year.

Further, the Fund is also allowed, in accordance with regulation 57(10) of the NBFC Regulations, to defer redemption requests to next dealing day, had such requests exceed ten percent of the total numbers.

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



An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2013 is tabulated below:

	2013				Total
	Maturity upto				
	Three months	Six months	One year	More than one year	
----- (Rupees in '000) -----					
Payable to Al Meezan Investment Management Limited - Management Company	779	-	-	-	779
Payable to Central Depository Company of Pakistan Limited - Trustee	54	-	-	-	54
Accrued expenses and other liabilities	741	-	-	-	741
	<u>1,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,574</u>
----- (Rupees in '000) -----					
	2012				Total
	Maturity upto				
	Three months	Six months	One year	More than one year	
----- (Rupees in '000) -----					
Payable to Al Meezan Investment Management Limited - Management Company	657	-	-	-	657
Payable to Central Depository Company of Pakistan Limited - Trustee	58	-	-	-	58
Payable against purchase of investments	1,930	-	-	-	1,930
Accrued expenses and other liabilities	1,111	-	-	-	1,111
	<u>3,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,756</u>

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

### 18.3 Market risk

#### 18.3.1 Price risk

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objectives. The primary objective to pay unitholders, with certain conditions, their principal investment at maturity and to provide them with high level of total return over the life of the Fund in a Shariah compliant manner for the given level of risks. The Fund's market risk is managed on a daily basis by the Fund manager in accordance with the policies and procedures laid down by the Securities and Exchange Commission of Pakistan. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

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

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 5.2.1 to these financial statements. As at June 30, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI 30). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

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

The net assets of the Fund will increase / (decrease) by Rs 0.91 million (2012: Rs 0.85 million) if the prices of equity vary due to increase / decrease in KMI 30 by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2013 and the historical correlation of the securities comprising the portfolio to the KMI. The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### 18.3.2 Interest rate risk

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

#### Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in saving accounts and investment in debt securities. As at June 30, 2013, 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 would have been higher / (lower) by Rs 4.103 million (2012: 3.550 million) mainly as a result of finance income.

#### Fair value interest rate risk

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

### 18.3.3 Currency risk

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

## 19. UNITHOLDERS' FUND RISK MANAGEMNT

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 issuance of units has been discontinued since August 15, 2011. The units are transferable and can be redeemed by surrendering them to the Fund.

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

In accordance with the risk management policies stated in the note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 20. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

20.1 The following table presents the assets that are measured at fair value as at June 30, 2013:

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments - 'at fair value through profit or loss'</b>				
Equity securities	90,863	-	-	90,863

During the year ended June 30, 2013, no transfers were made between the aforementioned levels.

The following table presents the assets that are measured at fair value as at June 30, 2012:

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments - 'at fair value through profit or loss'</b>				
Equity securities	84,767	-	-	84,767

During the year ended June 30, 2012, no transfers were made between the aforementioned levels.

## 20.2 Financial assets not carried at fair value

The following table analysis within the fair value hierarchy of the Fund's financial assets not measured at fair value as at June 30, 2013 but for which fair value is disclosed:

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments - 'available for sale'</b>				
Debt securities	-	355,830	-	355,830
<b>Investments - 'at fair value through profit or loss'</b>				
Debt securities	-	39,976	-	39,976
	-	395,806	-	395,806

Gop Ijarah Sukuks (debt securities) are presently being valued at their face value (notes 5.1.5 and 5.2.2.2). The fair value (market value) of these securities at PKISRV as at June 30, 2013 was Rs. 395.806 million. Therefore, these are stated in level 2 accordingly.

## 21 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 (c) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company has distributed sufficient income of the Fund for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unitholders to avail exemption subsequent to year end (refer note 27).

## 22. PERFORMANCE TABLE

	2013	2012
Net assets value (Rs '000) (ex-distribution)**	<b>505,896</b>	443,245
Net asset value per unit as at June 30 (Rs) (ex-distribution)**	<b>52.29</b>	50.51
Offer price per unit as at June 30 (Rs) (ex-distribution)**	<b>N/A</b>	N/A
Redemption price per unit as at June 30 (Rs) (ex-distribution)**	<b>52.29*</b>	50.51
Highest offer price per unit (Rs)	<b>N/A</b>	52.04
Lowest offer price per unit (Rs)	<b>N/A</b>	51.55
Highest redemption price per unit (Rs) *	<b>58.44</b>	56.77
Lowest redemption price per unit (Rs) *	<b>50.99</b>	50.03
Distribution	<b>11.80%</b>	12.50%
Date of distribution (annual)	<b>July 8, 2013</b>	July 9, 2012
Growth distribution (Rupees in '000)	<b>51,293</b>	48,809
Total return (%)	<b>15.20</b>	13.52

\* Back end load will apply where applicable, as per the Offering Document of the Fund.

\*\* The distribution for the year ended June 30, 2013 is made subsequent to the year end, therefore is not accounted for in these financial statements as also explained in note 27.

	One Year	Two Year
Average annual return as at June 30, 2013	<b>15.20%</b>	14.36%

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

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

## 23. INVESTMENT COMMITTEE MEMBERS

23.1 Details of members of Investment Committee of the Fund are as follow:

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty three years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Nine years
Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Four years
Mr. Ahmed Hasan	AVP Investments	CFA / MBA	Six years
Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Six years

23.2 The Fund manager of the Fund is Mr. Ahmed Hassan. The other fund managed by the Fund manager is Meezan Balanced Fund.

## 24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

**2013**  
%

**Broker's name**

Ample Securities.(Private) Limited	14.46
Shajar Capital Pakistan (Private) Limited	12.49
Optimus Capital Management (Private) Limited	11.44
Foundation Securities (Private) Limited	10.98
KASB Securities Limited	8.10
Elixir Securities Pakistan (Private) Limited	7.48
Fortune Securities (Private) Limited	7.38
Global Securities Limited	7.26
JS Global Capital Limited	4.81
Invest Capital Markets Limited	2.95

**2012**  
%

**Broker's name**

Foundation Securities (Private) Limited	12.02
Topline Securities (Private) Limited	10.69
KASB Securities Limited	9.14
Ample Securities (Private) Limited	8.23
Global Securities Limited	7.92
Elixir Securities Pakistan (Private) Limited	7.20
Invest Capital Investment Bank Limited	7.00
Fortune Securities (Private) Limited	6.78
Optimus Capital Management (Private) Limited	4.97
Taurus Securities Limited	3.99

## 25. PATTERN OF UNITHOLDING

	As at June 30, 2013		
	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	----- % -----
Individuals	200	151,122	29.88
Associated companies / directors	2	261,567	51.70
Insurance companies	2	32,696	6.46
Retirement funds	4	18,070	3.57
Public limited companies	4	39,219	7.75
Others	1	3,222	0.64
	<b>213</b>	<b>505,896</b>	<b>100.00</b>

	As at June 30, 2012		
	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	----- % -----
Individuals	219	135,303	30.53
Associated companies / directors	2	227,040	51.22
Insurance companies	2	28,380	6.40
Retirement funds	4	15,685	3.54
Public limited companies	4	34,042	7.68
Others	1	2,795	0.63
	<b>232</b>	<b>443,245</b>	<b>100.00</b>

## 26. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present there in					
		July 09, 2012	September 21, 2012	October 19, 2012	January 21, 2013	April 19, 2013	June 17, 2013
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	No	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	No	Yes	No	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes

**27. NON ADJUSTING EVENTS**

The Board of Directors in its meeting held on July 8, 2013 has announced a payout of 11.80% (Rs. 5.9 per unit) amounting to Rs 51.293 million equivalent to 980,927 bonus units. The financial statements for the year ended June 30, 2013 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ended June 30, 2014.


**28. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Management Company.

**29. GENERAL**

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director



# PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

Units held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	2,247,475	25.85
Meezan Bank Limited	2,247,475	25.85
<b>Directors</b>		
<b>Chief Executive</b>		
<b>Executives</b>	1,124	0.01
<b>Public Limited Companies</b>	673,965	7.75
<b>Banks and financial institutions</b>	-	0.00
<b>Individuals</b>	2,595,876	29.86
<b>Retirement funds</b>	310,526	3.57
<b>Other corporate sector entities</b>	-	0.00
<b>Insurance Companies</b>	561,869	6.46
<b>Non-Profit Organisations</b>	55,365	0.64
	<b>8,693,675</b>	<b>100</b>



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# 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  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Askari Bank Limited - Islamic Banking	Habib Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking	Meezan Bank Limited
Bank Al Habib Limited - Islamic Banking	MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited - Islamic Banking	UBL Ameen
Habib Metropolitan Bank Limited - Islamic Banking	Faysal Bank Limited - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi - 75530  
Phone: (9221) 3565 7658-59 Fax: (9221) 3565 7673  
E-mail: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi.  
Phone: 32062891 Fax: 32552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

# REPORT OF THE FUND MANAGER

Meezan Financial Planning Fund of Funds (MFPF) is the latest fund launched by Al Meezan Investments on April 12, 2013. It is an open-end Shariah Compliant (Islamic) Fund of Funds Scheme that 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 tolerance of the investor.

## Strategy and Investment Policy

MFPF has three 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

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.

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	65% KMI-30 & 35% 6M Islamic Bank deposits
Moderate Allocation Plan	50% KMI-30 & 50% 6M Islamic Bank deposits
Conservative Allocation Plan	20% KMI-30 & 80% 6M Islamic Bank deposits

## Performance Review

The performance of the fund is for a period of 79 days as the fund was launched during the year on April 12, 2013. For the aforementioned period ending June 2013, the performance of various Allocation Plans was as follows:

	<b>FY13</b>
MFPF - Aggressive	9.00%
Benchmark	7.90%
MFPF - Moderate	6.50%
Benchmark	6.20%
MFPF - Conservative	3.80%
Benchmark	3.60%

### **Aggressive Allocation Plan**

The Aggressive Allocation Plan posted a comprehensive income of Rs. 21 million in the fiscal year 2013. Total income comprised of realized gains and unrealized gain on investments of Rs. 1 million and Rs. 12 million respectively. After accounting for expenses of Rs. 1 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 8 million, the Fund posted a net profit of Rs. 21 million. The net assets of the Fund as at June 30, 2013 were Rs. 255 million.

The Board of Directors of Al Meezan in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 1.7 per unit (3.4%) out of the profits of the Fund for the year ended June 30, 2013.

### **Moderate Allocation Plan**

The Moderate Allocation Plan posted a total comprehensive income of Rs. 10 million in the fiscal year 2013. Total income comprised of realized gains and unrealized gain on investments of Rs. 1 million and Rs. 4 million respectively. After accounting for expenses of Rs. 0.5 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 5 million, the Fund posted a net profit of Rs. 10 million. The net assets of the Fund as at June 30, 2013 were Rs. 158 million.

The Board of Directors of Al Meezan in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 1.65 per unit (3.3%) out of the profits of the Fund for the year ended June 30, 2013.

### **Conservative Allocation Plan**

The Conservative Allocation Plan posted a total comprehensive income of Rs. 10 million in the fiscal year 2013. Total income comprised of realized gains and unrealized gain on investments of Rs. 1 million and Rs. 7 million respectively. After accounting for expenses of Rs. 0.6 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 3 million, the Fund posted a net profit of Rs. 10 million. The net assets of the Fund as at June 30, 2013 were Rs. 285 million.

The Board of Directors of Al Meezan in its meeting held on July 8, 2013 approved distribution at the rate of Rs. 0.60 per unit (1.2%) out of the profits of the Fund for the year ended June 30, 2013.

Breakdown of unit holdings by size			
	<b>Aggressive</b>	<b>Conservative</b>	<b>Moderate</b>
Range (Units)	No. of investors	No. of investors	No. of investors
1 - 9,999	139	119	174
10,000 - 49,999	31	39	51
50,000 - 99,999	9	5	4
100,000 - 499,999	5	8	7
500,000 and above	1	1	-
Total	185	172	236



**Meezan Bank**  
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**Report of the *Shari'ah* Advisor – Meezan Financial Planning Fund of Funds**

August 20, 2013/ Shawwal 12, 1434

**Alhamdulillah**, the period from April 12, 2013 to June 30, 2013 was the first 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* Advisor 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, 2013 have been in compliance with *Shari'ah* principles.

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

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

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN FINANCIAL PLANNING FUND OF FUNDS**

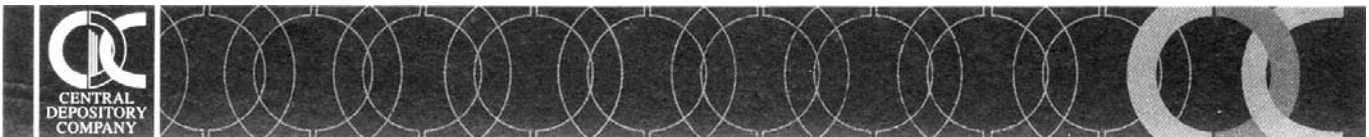
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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 period from April 10, 2013 to June 30, 2013 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 23, 2013





# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Islamabad Stock Exchange Limited (Formerly Islamabad Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

---

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
Date: August 23, 2013



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

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

## **Review Report to the Unitholders' of Meezan Financial Planning Fund of Funds ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited), where the Fund has applied for listing.

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

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


Further, Listing Regulations notified by the Islamabad Stock Exchange Limited (formerly Islamabad Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from 10 April 2013 to 30 June 2013.

**Date: 23 August 2013**

**Karachi**

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

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



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

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

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Financial Planning Fund of Funds** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of movement in unitholders' fund for the period from 10 April 2013 to 30 June 2013, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

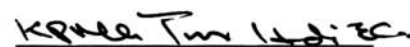
In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the period from 10 April 2013 to 30 June 2013 in accordance with approved accounting standards as applicable in Pakistan.

### *Report on Other Legal and Regulatory Requirements*

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

**Date: 23 August 2013**

**Karachi**

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

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


# Statement of Assets and Liabilities

As at June 30, 2013

		2013			
		Aggressive	Moderate	Conservative	Total
		------(Rupees in '000)-----			
<b>Assets</b>					
Balances with banks	4	12,528	14,053	28,129	54,710
Investments	5	246,311	149,960	258,580	654,851
Profit receivable on saving accounts with banks		89	63	89	241
<b>Total assets</b>		<b>258,928</b>	<b>164,076</b>	<b>286,798</b>	<b>709,802</b>
<b>Liabilities</b>					
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	6	1,006	1,346	953	3,305
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	7	24	12	24	60
Payable to Meezan Bank Limited (MBL)		21	41	32	94
Payable to Securities and Exchange Commission of Pakistan (SECP)	8	38	19	41	98
Payable on redemption and conversion of units		2,162	3,903	10	6,075
Accrued expenses and other liabilities	9	643	317	345	1,305
<b>Total liabilities</b>		<b>3,894</b>	<b>5,638</b>	<b>1,405</b>	<b>10,937</b>
<b>Net assets</b>		<b>255,034</b>	<b>158,438</b>	<b>285,393</b>	<b>698,865</b>
<b>Contingencies and Commitments</b>	12				
<b>Unitholders' fund (as per statement attached)</b>		<b>255,034</b>	<b>158,438</b>	<b>285,393</b>	<b>698,865</b>
----- <b>Number of units</b> -----					
<b>Number of units in issue</b>	13	4,680,055	2,974,743	5,500,907	
----- <b>(Rupees)</b> -----					
<b>Net assets value per unit</b>		<b>54.49</b>	<b>53.26</b>	<b>51.88</b>	

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director


# Income Statement

For the period from April 10, 2013 to June 30, 2013

<b>For the period from April 10, 2013 to June 30, 2013</b>				
	<b>Aggressive</b>	<b>Moderate</b>	<b>Conservative</b>	<b>Total</b>
Note	----- (Rupees in '000) -----			
<b>Income</b>				
Net realised gain on sale of investments	1,452	998	1,115	3,565
Profit on saving accounts with banks	111	96	93	300
	<u>1,563</u>	<u>1,094</u>	<u>1,208</u>	<u>3,865</u>
Unrealised gain on re-measurement of investments at 'fair value through profit or loss' (net) 5.1	12,302	4,331	6,777	23,410
<b>Total income</b>	<u>13,865</u>	<u>5,425</u>	<u>7,985</u>	<u>27,275</u>
<b>Expenses</b>				
Remuneration to Al Meezan Investment Management Limited - Management Company 6.1	28	26	20	74
Sindh Sales Tax and Federal Excise Duty on Management Fee 6.2 & 6.3	4	5	4	13
Remuneration to Central Depository Company of Pakistan Limited - Trustee 7	50	22	54	126
Annual fee to Securities and Exchange Commission of Pakistan 8	38	19	41	98
Auditors' remuneration 10	39	17	43	99
Formation cost	-	-	45	45
Bank and settlement charges	502	217	178	897
Printing charges	10	4	11	25
Provision for Workers' Welfare Fund 11	421	194	207	822
<b>Total expenses</b>	<u>1,092</u>	<u>504</u>	<u>603</u>	<u>2,199</u>
<b>Net income from operating activities</b>	<u>12,773</u>	<u>4,921</u>	<u>7,382</u>	<u>25,076</u>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	8,258	4,780	2,966	16,004
<b>Net income for the period before taxation</b>	<u>21,031</u>	<u>9,701</u>	<u>10,348</u>	<u>41,080</u>
Taxation 19	-	-	-	-
<b>Net income for the period after taxation</b>	<u>21,031</u>	<u>9,701</u>	<u>10,348</u>	<u>41,080</u>
<b>Other comprehensive income for the period</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>21,031</u>	<u>9,701</u>	<u>10,348</u>	<u>41,080</u>

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


# Distribution Statement

For the period from April 10, 2013 to June 30, 2013

	For the period from April 10, 2013 to June 30, 2013			
	Aggressive	Moderate	Conservative	Total
	------(Rupees in '000)-----			
Net income for the period	21,031	9,701	10,348	41,080
Undistributed income carried forward	<u>21,031</u>	<u>9,701</u>	<u>10,348</u>	<u>41,080</u>
Undistributed income carried forward				
- Realised	8,729	5,370	3,571	17,670
- Unrealised	<u>12,302</u>	<u>4,331</u>	<u>6,777</u>	<u>23,410</u>
	<u>21,031</u>	<u>9,701</u>	<u>10,348</u>	<u>41,080</u>

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' Fund

For the period from April 10, 2013 to June 30, 2013

	For the period from April 10, 2013 to June 30, 2013			
	Aggressive	Moderate	Conservative	Total
	------(Rupees in '000)-----			
Net assets at beginning of the period	-	-	-	-
Issue of units: (Aggressive: 5,531,781, Moderate: 3,820,794, Conservative: 6,401,889)	287,005	198,140	324,845	809,990
Redemption of units: (Aggressive: 851,726, Moderate: 846,051, Conservative: 900,982)	(44,744)	(44,623)	(46,834)	(136,201)
	242,261	153,517	278,011	673,789
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(8,258)	(4,780)	(2,966)	(16,004)
Net realised gain on sale of investments	1,452	998	1,115	3,565
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)	12,302	4,331	6,777	23,410
Total other comprehensive income for the period	7,277	4,372	2,456	14,105
Net assets at end of the period	255,034	158,438	285,393	698,865
Net assets value per unit at end of the period	54.49	53.26	51.88	

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 from April 10, 2013 to June 30, 2013

	For the period from April 10, 2013 to June 30, 2013			
	Aggressive	Moderate	Conservative	Total
	------(Rupees in '000)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period	21,031	9,701	10,348	41,080
<b>Adjustments for:</b>				
Unrealised gain on re-measurement of investments at fair value through profit or loss (net)	(12,302)	(4,331)	(6,777)	(23,410)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(8,258)	(4,780)	(2,966)	(16,004)
	471	590	605	1,666
<b>Increase in assets</b>				
Investments (net)	(234,009)	(145,629)	(251,803)	(631,441)
Profit receivable on saving accounts with banks	(89)	(63)	(89)	(241)
	(234,098)	(145,692)	(251,892)	(631,682)
<b>Increase in liabilities</b>				
Payable to Al Meezan Investment Management Limited - Management Company	1,006	1,346	953	3,305
Payable to the Central Depository Company of Pakistan Limited - Trustee	24	12	24	60
Payable to Meezan Bank Limited	21	41	32	94
Payable to Securities and Exchange Commission of Pakistan	38	19	41	98
Accrued expenses and other liabilities	643	317	345	1,305
	1,732	1,735	1,395	4,862
<b>Net cash (used in) operating activities</b>	(231,895)	(143,367)	(249,892)	(625,154)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds against issuance of units	287,005	198,140	324,845	809,990
Payments against redemption of units	(42,582)	(40,720)	(46,824)	(130,126)
<b>Net cash inflow from financing activities</b>	244,423	157,420	278,021	679,864
Net increase in cash and cash equivalents during the period	12,528	14,053	28,129	54,710
Cash and cash equivalents at beginning of the period	-	-	-	-
Cash and cash equivalents at end of the period	12,528	14,053	28,129	54,710

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 the Financial Statements

For the period from April 10, 2013 to June 30, 2013

## 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 (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as 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 (NBFC Rules). The Fund is registered as a Notified Entity under Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) issued through S.R.O.1203(I)/2008 on November 21, 2008. The IPO date was April 10, 2013 therefore the Fund started its operations for sub funds and accordingly the financial statements has been prepared. 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 and an application for listing of units of the Fund has been made to Islamabad Stock Exchange. 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 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 and Conservative Plan by investing in Shariah compliant income (Meezan Sovereign Fund) and equity (Meezan Islamic Fund) 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.

The investment policy of each allocation plan is as follows:

### *Aggressive plan*

The Aggressive Allocation Plan is a Shariah compliant allocation plan under the Fund. It primarily aims to provide capital appreciation. It invests atleast 65% of its net assets in Shariah compliant equity funds, while the remaining portion is allocated to Shariah compliant fixed income funds. This allocation plan is suitable for investors having a relatively higher risk tolerance and / or wish to save for long term.

### *Moderate plan*

The Moderate Allocation Plan is a Shariah compliant allocation plan under the Fund. It primarily aims to provide a mix of capital appreciation and stable returns. It invests atleast 45% of its net assets in Shariah compliant equity funds, while the remaining portion is allocated to Shariah compliant fixed income funds. This allocation plan is suitable for investors having a relatively moderate risk tolerance and / or wish to save for medium to long term.

### *Conservative plan*

The Conservative Allocation Plan is a Shariah compliant allocation plan under the Fund. It primarily aims to provide stable returns. It shall invests atleast 20% of its net assets in Shariah compliant equity fund, while the remaining portion is allocated to Shariah compliant fixed income fund. This allocation plan is suitable for investors having a relatively low risk tolerance and / or wish to save for short to medium term.

Each allocation plan will announce separate NAVs which will rank pari passu according to the number of units of the respective allocation plans. The books and records of each fund has been maintained separately.

- 1.5 Title to the assets of the Fund are held in the name of CDC as a Trustee. The Fund property of different types of allocation plans shall be accounted for and maintained separately in books of accounts, which shall collectively constitute the Fund property of the Scheme.
- 1.6 The Management Company of the Fund has been given quality rating of AM2 by JCR-VIS Credit Rating Company Limited.

## **2. BASIS OF PRESENTATION**

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisor are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

### **2.2 Basis of measurement**

These financial statements have been prepared on the basis of historical cost convention except that investments classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value.

### **2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

## 2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of financial instruments (notes 3.1 and 5);
- b) Impairment of financial instruments (note 3.1.6); and
- c) Recognition of provision for Workers' Welfare Fund (note 11)

## 2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Assets and Liabilities or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on the financial statements of the Fund.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

#### 3.1 Financial Instruments

##### 3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, held to maturity 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 in accordance with the requirement of International Accounting Standard (IAS) 39 : 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

##### (a) Investments '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.

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) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

##### (c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available for sale.

##### (d) Available for sale

These are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories mentioned in (a) to (c) 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. Changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to the Income Statement.

Financial assets classified as 'loans and receivables' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

### 3.1.5 Fair value measurement principles

The fair value of financial instruments, derivatives and financial instruments sold on deferred settlement basis is based on their announced price (NAV) at the reporting date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

### 3.1.6 Impairment

Impairment loss on investments other than 'available for sale' is recognised in the Income Statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the Income Statement.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, 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 Income Statement is removed from other comprehensive income and recognised in the Income Statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in other comprehensive income.

### 3.1.7 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

### 3.1.8 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the Statement of Assets and Liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.2 Unitholders' fund

Unitholders' fund of each sub funds representing the units issued by each respective Fund seperately, is carried at the redemption amount representing the investors' right to a residual interest in the respective sub Fund's net assets.

### 3.3 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.

### 3.4 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called 'element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed' is set up in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

Each sub Funds 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 respective unitholder's funds in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.



### 3.5 Provisions

Provisions are recognised when each sub Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of five years commencing from April 10, 2013 in accordance with the Trust Deed of the Fund and NBFC Regulations.

### 3.7 Net assets value per unit

The net assets value (NAV) per unit of each sub fund as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of each allocation plan by the number of units in issue of the respective sub funds at the period end.

### 3.8 Taxation

#### *Current*

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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

#### *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.

However, the Fund has distributed and intends to continue availing the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year. Accordingly, no deferred tax has been recognised in these financial statements.

### 3.9 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the Income Statement.
- (iv) Dividend income is recognised when the Fund's right to receive the same is established. i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (v) Profit on bank deposits is recognised on time proportion basis using effective yield method.

### 3.10 Expenses

All expenses, including management fee, trustee fee and Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement as and when incurred.

### 3.11 Cash and cash equivalents

Cash and cash equivalents are carried on the Statement of Assets and Liabilities at cost. Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### 3.12 Segment Reporting

Operating segments are reported in the manner consistent with the internal reporting used by the investment committee. The investment committee of the Management Company makes the strategic resource allocation on behalf of the Fund. The Fund has determined the operating segment based on the requirement of the Trust Deed and reports reviewed by its investment committee for taking strategic decisions. Therefore, the operating segments are Aggressive, Moderate and Conservative. Segment wise assets, liabilities, revenues and operating results have been disclosed in the Statement of Assets and Liabilities and Income Statement.

### 3.13 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.

### 3.14 Distribution

Distribution including bonus units are recognised in the year in which they are approved.

#### 4. Balances with Banks

	2013			
	Aggressive	Moderate	Conservative	Total
	----- (Rupees in '000) -----			
Saving accounts	12,528	14,053	28,129	54,710

4.1 The balances in saving accounts have an expected profit ranging from 5.65% to 8.75% per annum.

#### 5. INVESTMENTS

	Note	2013			
		Aggressive	Moderate	Conservative	Total
		----- (Rupees in '000) -----			
Investments - 'at fair value through profit or loss'	5.1	246,311	149,960	258,580	654,851

#### 5.1 Held for Trading - Units of mutual funds

Name of Investee Funds	As at April 10, 2013	Purchases during the period	Bonus	Redemption during the period	As at June 30, 2013	Carrying value	Market value	Unrealised gain / (loss)	Percentage of market value to total investments
	----- (Number of units) -----					----- (Rupees in '000) -----			%
<b>Aggressive Allocation Plan</b>									
Meezan Islamic Fund	-	3,412,861	-	453,894	2,958,967	173,064	184,699	11,635	74.99
Meezan Sovereign Fund	-	1,367,273	-	160,844	1,206,429	60,945	61,612	667	25.01
<b>Total cost of investments</b>						<b>234,009</b>	<b>246,311</b>	<b>12,302</b>	<b>100</b>
<b>Moderate Allocation Plan</b>									
Meezan Islamic Fund	-	1,461,179	-	260,411	1,200,768	71,238	74,952	3,714	49.98
Meezan Sovereign Fund	-	1,745,401	-	276,671	1,468,730	74,391	75,008	617	50.02
<b>Total cost of investments</b>						<b>145,629</b>	<b>149,960</b>	<b>4,331</b>	<b>100</b>
<b>Conservative Allocation Plan</b>									
Meezan Islamic Fund	-	1,209,988	-	174,951	1,035,037	60,024	64,607	4,583	24.99
Meezan Sovereign Fund	-	4,242,070	-	443,893	3,798,177	191,779	193,973	2,194	75.01
<b>Total cost of investments</b>						<b>251,803</b>	<b>258,580</b>	<b>6,777</b>	<b>100</b>
<b>Total investments in units of mutual funds</b>									
Meezan Islamic Fund	-	6,084,028	-	889,256	5,194,772	304,326	324,258	19,932	49.52
Meezan Sovereign Fund	-	7,354,744	-	881,408	6,473,336	327,115	330,593	3,478	50.48
<b>Total cost of investments</b>						<b>631,441</b>	<b>654,851</b>	<b>23,410</b>	<b>100</b>

#### 6. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company

	Note	2013			
		Aggressive	Moderate	Conservative	Total
		----- (Rupees in '000) -----			
Management Fee	6.1	28	26	20	74
Profit payable to Pre-IPO		-	-	24	24
Payable to Al Meezan Investment Management Limited in respect of bank deposits		30	30	30	90
Sindh Sales Tax and Federal Excise Duty on Management Fee	6.2 & 6.3	4	5	4	13
Sales load		779	1,056	741	2,576
Sindh Sales Tax and Federal Excise Duty on Sales Load		165	229	134	528
		<u>1,006</u>	<u>1,346</u>	<u>953</u>	<u>3,305</u>

- 6.1 Under the provisions of NBFC Regulations the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of one percent per annum on cash and cash equivalent for the period.
- 6.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 01, 2011.
- 6.3 With effect from June 13, 2013, Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company through Finance Act, 2013.

#### 7. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - Trustee

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the trust deed in accordance with the tariff specified therein, based on the daily net assets value of the Fund.

The remuneration of the Trustee for the period ended June 30, 2013 has been calculated as per the following applicable tariff:

Net assets	Tariff
Up to 1 billion	0.10% per annum
Over 1 billion	Rs. 1 million plus 0.075% p.a. of Net Assets exceeding Rs. 1 billion

#### 8. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee at the rate of 0.095 percent of the average annual net assets of the Fund payable to SECP under regulation 62 read with Schedule II of NBFC Regulations.

#### 9. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013			Total
	Aggressive	Moderate	Conservative	
	----- (Rupees in '000) -----			
Formation cost payable	-	-	45	45
Auditors' remuneration	39	17	43	99
Printing charges payable	10	4	11	25
Withholding tax payable	173	102	39	314
Provision for Workers' Welfare Fund	421	194	207	822
	643	317	345	1,305

#### 10. AUDITORS' REMUNERATION

	2013			Total
	Aggressive	Moderate	Conservative	
	----- (Rupees in '000) -----			
Annual audit fee	39	17	43	99

## 11. WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, during the year ended June 30, 2010, a constitutional petition has been filed by certain CISs through their Trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision of WWF contribution in the annual financial statement for the period ended June 30, 2013.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF.

During the year 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 declared the said amendments as unlawful and unconstitutional. In March 2013 a large bench of Sindh High Court (SHC) in various Constitutional Petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honorable High Court of Sindh has not addressed the other amendments made in WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the Management Company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2013. The Fund has recognised WWF charge upto June 30, 2013 amounting to Rs. 0.421 million, Rs. 0.194 million and Rs. 0.207 million in Aggressive, Moderate and Conservative plans respectively.

Had the WWF not been provided, the NAV per unit of Aggressive, Moderate and Conservative plans would have been higher by Rs 0.90 per unit, Rs 0.065 per unit and Rs 0.038 per unit respectively.

## 12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2013.

## 13. CLASSES OF UNITS IN ISSUE

13.1 The movement in number of units in issue during the period is as follows:

	2013		
	Aggressive	Moderate	Conservative
	----- (Number of units) -----		
Total units in issue at the beginning of the period	-	-	-
Add: units issued during the period	5,531,781	3,820,794	6,401,889
Less: units redeemed during the period	(851,726)	(846,051)	(900,982)
Total units in issue at the end of the period	<u>4,680,055</u>	<u>2,974,743</u>	<u>5,500,907</u>

13.2 The Fund may issue the following classes of units:

Class	Description
A	Units that shall be charged with no sales load.
B	Units that shall be charged with sales load.
C	Units that shall be charged with back-end load.

13.3 The Management Company of the Fund may issue the following types of units:

Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unitholders shall also be the growth units.

#### 14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The 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 officers of the Management Company, Al Meezan Mutual Fund, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Islamic Income Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - II, KSE Meezan Index Fund, Meezan Cash Fund and Meezan Sovereign Fund being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Gratuity Fund and Al Meezan Investment Management Limited - Staff Provident Fund.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules and NBFC Regulations and the Trust Deed respectively.

Details of transactions with connected persons and balances with them at the period end are as follows:

	2013			Total
	Aggressive	Moderate	Conservative	
------(Rupees in '000)-----				
<b>Al Meezan Investment Management Limited</b>				
<b>- Management Company</b>				
Management Fee payable	28	26	20	74
Profit payable to Pre-IPO	-	-	24	24
Payable to Al Meezan Investment Management Limited in respect of bank deposits	30	30	30	90
Sindh Sales Tax and Federal Excise Duty on Management Fee	4	5	4	13
Sales load payable	779	1,056	741	2,576
Sindh Sales Tax and Federal Excise Duty on Sales load payable	165	229	134	528
Issuance of 2,000,000 units - Conservative Allocation Plan	-	-	103,760	103,760

	2013			
	Aggressive	Moderate	Conservative	Total
	------(Rupees in '000)-----			
<b>Meezan Bank Limited</b>				
Bank balance	10,104	10,970	14,345	35,419
Sales load payable	21	41	32	94
Profit Receivable	23	35	35	93
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Trustee Fee payable	24	12	24	60
<b>Directors and officers of the Management Company</b>				
Issuance of 12,255 units of Aggressive Allocation Plan	668	-	-	668
Issuance of 10,200 units of Conservative Allocation Plan	-	-	529	529
Issuance of 11,605 units of Moderate Allocation Plan	-	618	-	618
<b>Meezan Islamic Fund</b>				
Investment of 2,958,967 units - Aggressive Allocation Plan	184,699	-	-	184,699
Investment of 1,035,037 units - Conservative Allocation Plan	-	-	64,607	64,607
Investment of 1,200,768 units - Moderate Allocation Plan	-	74,952	-	74,952
<b>Meezan Sovereign Fund</b>				
Investment of 1,206,429 units - Aggressive Allocation Plan	61,612	-	-	61,612
Investment of 3,798,177 units - Conservative Allocation Plan	-	-	193,973	193,973
Investment of 1,468,730 units - Moderate Allocation Plan	-	75,008	-	75,008

For the period from April 10,  
to June 30, 2013

	Aggressive	Moderate	Conservative	Total
	----- (Rupees in '000) -----			
<b>Al Meezan Investment Management Limited - Management Company</b>				
Remuneration for the period	28	26	20	74
Sindh Sales Tax and Federal Excise Duty on Management Fee	4	5	4	13
Units issued: 2,000,000 units	-	-	100,000	100,000
<b>Meezan Bank Limited</b>				
Profit on saving account	45	68	63	176
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Trustee fee	50	22	54	126
<b>Directors and officers of the Management Company</b>				
Issuance of 12,255 units of Aggressive Allocation Plan	613	-	-	613
Issuance of 10,200 units of Conservative Allocation Plan	-	-	510	510
Issuance of 11,975 units of Moderate Allocation Plan	-	638	-	638
Disposal of 370 units of Moderate Allocation Plan	-	20	-	20
<b>Meezan Islamic Fund</b>				
Purchase of 3,412,861 units - Aggressive Allocation Plan	198,782	-	-	198,782
Purchase of 1,209,988 units - Conservative Allocation Plan	-	-	70,065	70,065
Purchase of 1,461,179 units - Moderate Allocation Plan	-	86,274	-	86,274
Sales of 453,894 units - Aggressive Allocation Plan	27,127	-	-	27,127
Sales of 174,951 units - Conservative Allocation Plan	-	-	10,957	10,957
Sales of 260,411 units - Moderate Allocation Plan	-	15,958	-	15,958
<b>Meezan Sovereign Fund</b>				
Purchase of 1,367,273 units - Aggressive Allocation Plan	69,044	-	-	69,044
Purchase of 4,242,070 units - Conservative Allocation Plan	-	-	214,155	214,155
Purchase of 1,745,401 units - Moderate Allocation Plan	-	88,365	-	88,365
Sales of 160,844 units - Aggressive Allocation Plan	8,142	-	-	8,142
Sales of 443,893 units - Conservative Allocation Plan	-	-	22,575	22,575
Sales of 276,671 units - Moderate Allocation Plan	-	14,050	-	14,050



## 15. FINANCIAL INSTRUMENTS BY CATEGORY

	2013				Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----					
<b>Aggressive</b>					
<b>On balance sheet - financial assets</b>					
Balances with banks	12,528	-	-	-	12,528
Investments	-	246,311	-	-	246,311
Profit receivable on saving accounts with banks	89	-	-	-	89
	12,617	246,311	-	-	258,928
<b>Aggressive</b>					
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	1,006	1,006
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	24	24
Payable to Meezan Bank Limited	-	-	-	21	21
Payable on redemption and conversion of units	-	-	-	2,162	2,162
Accrued expenses and other liabilities	-	-	-	49	49
	-	-	-	3,262	3,262
<b>Moderate</b>					
<b>On balance sheet - financial assets</b>					
Balances with banks	14,053	-	-	-	14,053
Investments	-	149,960	-	-	149,960
Profit receivable on saving accounts with banks	63	-	-	-	63
	14,116	149,960	-	-	164,076
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	1,346	1,346
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	12	12
Payable to Meezan Bank Limited	-	-	-	41	41
Payable on redemption and conversion of units	-	-	-	3,903	3,903
Accrued expenses and other liabilities	-	-	-	21	21
	-	-	-	5,323	5,323

2013

	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
------(Rupees in '000)-----					
<b>Conservative</b>					
<b>On balance sheet - financial assets</b>					
Balances with banks	28,129	-	-	-	28,129
Investments	-	258,580	-	-	258,580
Profit receivable on saving accounts with banks	89	-	-	-	89
	28,218	258,580	-	-	286,798
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	953	953
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	24	24
Payable to Meezan Bank Limited	-	-	-	32	32
Payable on redemption and conversion of units	-	-	-	10	10
Accrued expenses and other liabilities	-	-	-	99	99
	-	-	-	1,118	1,118

## 16. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

The risk management policy of the Fund aims to maximise the return attributable to the unitholders and seeks to minimise potential adverse effects on the Fund's financial performance.

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the investment committee which provides broad guidelines for management of risk pertaining to market risks (including price risk, interest rate risk and currency risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, 2008 and the directives issued by the SECP.

Risks managed and measured by the Fund are explained below:

### 16.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted.

Credit risk arises from deposits with banks and financial institutions, profit receivable on bank deposits, credit exposure arising as a result, dividends receivable on mutual fund units and receivable against sale of investments and investments in mutual funds.

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Further, all transactions in fund are executed only in underlying funds, thus the risk of default is considered to be minimal. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors on a quarterly basis.

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentrations of credit risk.

The maximum exposure to credit risk as at June 30, 2013 is tabulated below:

## FINANCIAL ASSETS

	2013			
	Aggressive	Moderate	Conservative	Total
	------(Rupees in '000)-----			
Balances with banks	12,528	14,053	28,129	54,710
Profit receivable on saving accounts	89	63	89	241
Investment in mutual funds	246,311	149,960	258,580	654,851
	<u>258,928</u>	<u>164,076</u>	<u>286,798</u>	<u>709,802</u>

16.1.1 The percentage of bank balances along with credit ratings are tabulated below:

	2013		
	Aggressive (%)	Moderate (%)	Conservative (%)
AA	81	78	51
AA+	19	22	49
	<u>100</u>	<u>100</u>	<u>100</u>

None of the financial assets were considered to be past due or impaired as on June 30, 2013.

The Fund does not have any collateral against any of the aforementioned assets.

## 16.2 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages the liquidity risk by investing assets in highly liquid financial assets.

In accordance with regulation 58(1)(k) of the NBFC Regulations the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets of Aggressive, Conservative and Moderate Plans which amounts to Rs 38.25 million, Rs 42.81 million and Rs 23.77 million respectively as on June 30, 2013. However, no such borrowing has been obtained during the period.

Further, the Fund is also allowed in accordance with regulation 57 (10) of the NBFC Regulations to defer redemption requests to the next dealing day, had such requests exceed ten per cent of the total number of units in issue. However, no such defer redemption request has been exercised by the Fund during the period.

An analysis of the Fund's liabilities into relevant maturity grouping as at June 30, 2013 is tabulated below:

	Maturity upto				2013 Total
	Three months	Six months	One year	More than one year	
------(Rupees in '000)-----					
<b>Aggressive</b>					
Payable to Al Meezan Investment Management Limited	1,006	-	-	-	1,006
Payable to Central Depository Company - Trustee	24	-	-	-	24
Payable to Meezan Bank limited	21	-	-	-	21
Payable on redemption and conversion of units	2,162	-	-	-	2,162
Accrued expenses and other liabilities	49	-	-	-	49
	<u>3,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,262</u>
<b>Moderate</b>					
Payable to Al Meezan Investment Management Limited	1,346	-	-	-	1,346
Payable to Central Depository Company - Trustee	12	-	-	-	12
Payable to Meezan Bank limited	41	-	-	-	41
Payable on redemption and conversion of units	3,903	-	-	-	3,903
Accrued expenses and other liabilities	21	-	-	-	21
	<u>5,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,323</u>
<b>Conservative</b>					
Payable to Al Meezan Investment Management Limited	953	-	-	-	953
Payable to Central Depository Company - Trustee	24	-	-	-	24
Payable to Meezan Bank limited	32	-	-	-	32
Payable on redemption and conversion of units	10	-	-	-	10
Accrued expenses and other liabilities	99	-	-	-	99
	<u>1,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,118</u>

Units of the Fund are redeemable on demand at the option of the unitholder, however, the Fund does not anticipate significant redemption of units.

## 16.3 Market Risk

### 16.3.1 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry, environment and / or the economy in general. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unitholders from investment in shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations.

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these financial statements. At June 30, the Fund's overall exposure to price risk is limited to the fair value of the respective debt and equity fund. The Fund manages its exposure to price risk by investing in equity and debt funds as per the trust deed and benchmarking the sector weighting to that of the KSE Meezan Index 30 index (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

### 16.3.2 Interest rate risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which affect cashflows pertaining to debt instruments and their fair values. However, the Fund invest in income fund which are exposed to interest rate risk and which indirectly affect the interest rate risk of the Fund.

#### *Cash flow interest rate risk*

The Fund's interest rate risk arises from the balances in savings accounts. During the period ended June 30, 2013, the net income would have increased / (decreased) by Rs 0.13 million, Rs 0.28 million and Rs 0.14 million in Aggressive, Conservative and Moderate plan respectively, had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

#### *Fair value interest rate risk*

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

### 16.3.3 Currency risk

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

## 17. UNITHOLDERS' FUND RISK MANAGEMENT

The unitholders' fund is represented by redeemable units. These units are entitled to distribution and payment of a proportionate share, based on the Fund's net 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) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

## 18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction or adverse terms.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date.

A Financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Investments on the Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in active markets for an identical assets or liabilities.
- Level 2: Inputs other than quoted prices included with in level 1 that are observable for the assets or liability, either directly (that is, prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents assets that are measured at fair value as at June 30, 2013:

<b>AGGRESSIVE</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----Rupees in '000-----			
<b>Assets</b>				
Financial assets - 'at fair value through profit or loss'	246,311	-	-	246,311
<b>MODERATE</b>				
<b>Assets</b>				
Financial assets - 'at fair value through profit or loss'	149,960	-	-	149,960
<b>CONSERVATIVE</b>				
<b>Assets</b>				
Financial assets - 'at fair value through profit or loss'	258,580	-	-	258,580

## 19. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unitholders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company has distributed sufficient income of the Fund for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unitholders to avail exemption subsequent to year end (refer note 23).

## 20. PERFORMANCE TABLE

	Aggressive	Moderate	Conservative
Net assets (Rs. '000)	255,034	158,438	285,393
Net assets value / redemption price per unit as at June 30 (Rs.) (Ex Distribution) *	52.79	51.61	51.28
Offer price per unit as at June 30 (Rs.)	54.22	52.65	51.97
Highest offer price per unit (Rs.)	57.88	55.39	53.08
Lowest offer price per unit (Rs.)	50.39	50.84	50.33
Highest redemption price per unit (Rs.)	56.35	54.29	52.38
Lowest redemption price per unit (Rs.)	49.06	49.83	49.67
Distribution (%)	3.40	3.30	1.20
Dates of distribution (annual)	July 8, 2013	July 8, 2013	July 8, 2013
Growth distribution (Rupees in '000)	7,956	4,908	3,301
Average annual return (%)	9.00	6.5	3.80
Total return (%)	9.00	6.5	3.80

\*The distribution for the period ended is made subsequent to the period ended, therefore, is not accounted for in these financial statements as explained in note 23.

Investment portfolio composition of the Fund is as described in note 5.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 16.

## 21. 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 Officer	CFA / MBA	Twenty three years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
Mrs. Sanam Ali Zaiib	Head of Research	CFA / MBA	Nine years
Mr. Zain Malik	Senior Manager (Fund management department)	CFA level II / BBA	Four years
Mr. Ahmed Hasan	AVP Investments	CFA / MBA	Six years
Mr. Gohar Rasool	Senior Manager (Fund management department)	MBBS	Six years

There is no fund manager of this Fund as the purpose of this Fund is to invest in other funds and hence are being managed by other fund managers.

## 22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein	
		April 19, 2013	June 17, 2013
Mr. Ariful Islam	Chairman	Yes	Yes
Mr. P. Ahmed	Director	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes
Syed Amir Ali	Director	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	No
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes

## 23. NON ADJUSTING EVENTS

The Board of Directors in its meeting held on July 8, 2013 has announced a payout of 3.4% amounting to Rs 7.9 million equivalent to 150,712 bonus units, 1.2% amounting to Rs 3.3 million equivalent to 64,363 bonus units and 3.3% amounting to Rs 4.9 million equivalent to 95,104 bonus units from Aggressive, Conservative and Moderate Plans respectively. The financial statements for the period ended June 30, 2013 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ended June 30, 2014.

## 24. PATTERN OF UNITHOLDING

	2013		
	AGGRESSIVE		
	Number of investors	Investment amount	Percentage of total investment
	----- Rupees in '000 -----		
Individuals	180	94,868	37.20
Retirement funds	3	75,406	29.57
Others	2	84,760	33.23
Total	185	255,034	100
	2013		
	MODERATE		
	Number of investors	Investment amount	Percentage of total investment
	----- Rupees in '000 -----		
Individuals	234	141,014	89.00
Others	2	17,424	11.00
Total	236	158,438	100



	2013		
	CONSERVATIVE		
	Number of investors	Investment amount	Percentage of total investment
	----- Rupees in '000 -----		
Individuals	166	147,646	51.73
Associated company	1	103,762	36.36
Others	5	33,985	11.91
Total	172	285,393	100


**25. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Management Company.

**26. CORRESPONDING FIGURES**

There are no corresponding figures as the Fund started its operations from April 10, 2013.

**For Al Meezan Investment Management Limited  
(Management Company)**

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

# PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

## Breakdown of unit holdings by size

	Aggressive		Moderate		Conservative	
Range (Units)	No. of investors		No. of investors		No. of investors	
1 - 9,999	139		174		119	
10,000 - 49,999	31		51		39	
50,000 - 99,999	9		4		5	
100,000 - 499,999	5		7		8	
500,000 and above	1		-		1	
<b>Total</b>	<b>185</b>		<b>236</b>		<b>172</b>	
<b>Pattern of Unitholding as per the requirements of CCG</b>						
	Aggressive		Moderate		Conservative	
Units held by	Units held	%	Units held	%	Units held	%
<b>Associated Companies</b>						
Al Meezan Investment Management Limited	-	0.00%	-	0.00%	2,000,000	39.07%
<b>Chief Executive</b>	10,000	0.21%	10,000	0.35%	10,000	0.20%
<b>Executives</b>	2,255	0.05%	1,605	0.06%	200	0.00%
<b>Individuals</b>	1,728,622	36.94%	2,636,033	92.84%	2,835,655	55.40%
<b>Retirement funds</b>	1,383,764	29.57%	-	0.00%	-	0.00%
<b>Other corporate sector entities</b>	1,555,414	33.23%	191,571	6.75%	272,897	5.33%
	<b>4,680,055</b>	<b>100%</b>	<b>2,839,209</b>	<b>100%</b>	<b>5,118,752</b>	<b>100%</b>



## Al Meezan Investment Management Ltd.

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