



# A Mark of Exponential Growth

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islamic fund  
میزان

almeezan  
mutual fund  
المیزان

meezan  
kse meezan index fund  
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balanced fund  
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Annual Report 2014





*Pure. Profit.*

**Annual Report 2014**



# Contents

	04 Vision
	05 Mission
06 Report of the Directors of the Management Company	
	
	16 Fund Information
	17 Report of the Fund Manager
	20 Report of the Shar'iah Advisor
	22 Trustee Report to the Unit Holders
23 Statement of Compliance with the Code of Corporate Governance	
25 Review Report to the Holders on Statement of Compliance with Best Practices of Code of Corporate Governance	
26 Independent Auditors' Report to the Unit Holders	
	27 Statement of Assets and Liabilities
	28 Income Statement
	29 Distribution Statement
30 Statement of Movement in Unit Holders' Funds	
	31 Cash Flow Statement
	32 Notes to the Financial Statements
59 Pattern of Holdings (Unit) as per the Requirement of Code of Corporate Governance	
	
	62 Fund Information
	63 Report of the Fund Manager
	66 Report of the Shar'iah Advisor
	68 Trustee Report to the Unit Holders
69 Statement of Compliance with the Code of Corporate Governance	
71 Review Report to the Holders on Statement of Compliance with Best Practices of Code of Corporate Governance	
72 Independent Auditors' Report to the Unit Holders	
	73 Statement of Assets and Liabilities
	74 Income Statement
	75 Distribution Statement
76 Statement of Movement in Unit Holders' Funds	
	77 Cash Flow Statement
	78 Notes to the Financial Statements
105 Pattern of Holdings (Unit) as per the Requirement of Code of Corporate Governance	

	108 Fund Information
	109 Report of the Fund Manager
	111 Report of the Shar'iah Advisor
	113 Trustee Report to the Unit Holders
114	Statement of Compliance with the Code of Corporate Governance
116	Review Report to the Holders on Statement of Compliance with Best Practices of Code of Corporate Governance
117	Independent Auditors' Report to the Unit Holders
	118 Statement of Assets and Liabilities
	119 Income Statement
	120 Distribution Statement
121	Statement of Movement in Unit Holders' Funds
	122 Cash Flow Statement
	123 Notes to the Financial Statements
148	Pattern of Holdings (Unit) as per the Requirement of Code of Corporate Governance

	152 Fund Information
	153 Report of the Fund Manager
	156 Report of the Shar'iah Advisor
	158 Trustee Report to the Unit Holders
159	Statement of Compliance with the Code of Corporate Governance
161	Review Report to the Holders on Statement of Compliance with Best Practices of Code of Corporate Governance
162	Independent Auditors' Report to the Unit Holders
	163 Statement of Assets and Liabilities
	164 Income Statement
	165 Distribution Statement
166	Statement of Movement in Unit Holders' Funds
	167 Cash Flow Statement
	168 Notes to the Financial Statements
195	Pattern of Holdings (Unit) as per the Requirement of Code of Corporate Governance

# Vision

To make Shariah compliant investing  
a first choice for investors

# Mission

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

# 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 Equity & Balanced funds for the year ended June 30, 2014.

## **Equity Funds**

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

## **Balanced Fund**

- Meezan Balanced Fund

## **Economic Review**

Pakistan's economy has been on a path to revival since the end of the calendar year 2013, as indicated by notable improvements in key economic indicators. The fiscal year 2014 showed signs of economic revival with the real GDP growing by 4.1% as opposed to 3.7% in the previous year. Main drivers were large scale manufacturing and services sector which registered growth of 5.8% and 4.3%. Pakistan availed the IMF Extended Fund Facility Program at the start of the fiscal year and was able to reduce the fiscal deficit to 5.8% of GDP in FY 14 compared to 8.2% in the previous year. Other developments on the macro-front included: i) a rapid rise and subsequent tapering off of inflationary pressure, ii) reversal in the monetary easing stance of the Central Bank to tackle rising inflation, iii) recovery of the entire 6% depreciation posted by Rupee against the USD in current fiscal year, iv) increase in the forex reserves of SBP through inflows from friendly countries, v) narrowing trade deficit with exports picking up at a faster pace than imports.

In the first half of fiscal year a rapid resurgence of inflationary pressure took place which settled at an average of 8.6% during FY14, after touching a high of 10.9% in November'13. This was attributed to rationalization of electricity tariffs with removal of subsidies, rising food inflation and a devaluing PKR. As a result, SBP raised its key policy rate by 100 bps, reversing its earlier monetary easing stance. However with the effects of fiscal consolidation tapering off and stability seen in the Rupee, inflation has now receded back to comfortable levels. SBP, lowering its full year inflation forecast to 8.5-9.5%, decided to keep its policy rate unchanged in the last two monetary policy announcements.

The economic recovery which kicked off from the month of December 2013 was initiated by increase in foreign exchange reserves. Foreign exchange reserves picked up, from a dismal level of below one month of import cover, leading to sharp appreciation of PKR against USD. Triggered by USD 1.5bn inflow from Saudi Arabia under Pakistan Development Fund, CSF receipts of about USD 350mn in each quarter, IMF 3rd tranche of USD 550mn, Euro Bond issuance of USD 2bn, USD 400mn from ADB, USD 900mn from 3G Auction and lately USD 387mn from privatization proceeds of UBL and PPL have allowed SBP's foreign exchange reserves to improve from USD 5.2bn in January, 2014 to USD 9.0bn in June, 2014. Market sentiments improved with an increase in foreign exchange reserves which acutely reflected in the appreciation of the Rupee against the USD after December 2013 whereby it has appreciated by 7% to close at Rs. 99/USD as on June 30, 2014.



Owing to improved foreign inflows and lower fiscal deficit, the government has been able to reduce dependence on SBP borrowing. The government has retired more than PKR 500bn worth of borrowing from the SBP since February 2014 which has helped improve NDA-NFA ratio as well. As a result, M2 growth was restricted to 8.6% YTD till 6th Jun-14 as compared to 11.8% YTD till June last year. Moreover, the government has also lowered riskiness of its debt profile and increased its maturity through successful auctions of PIBs during the second half of FY14.

The current account continues to be marred with challenges as it posted a deficit of USD 2.92 billion in FY14. With growth in imports and exports in tandem, the trade deficit has expanded narrowly. Grant of the coveted GSP+ status by the EU to the country will help in boosting textile exports to the region and rake in an additional USD 2.0 billion.

Implementation of the much needed fiscal consolidation reforms resulted in tax collection of Rs. 2.26 trillion translating into a 16.4% YoY increase. This has helped Government to curtail fiscal deficit from 8% of GDP in FY 13 to 5.8% in FY 14. In order to bridge the gap between expenditures and revenue collection the government has slashed several funds including secret service expenditures, discretionary funds and current expenditure allocation of ministries. These steps along with issuance of tax notices and rationalization of concessionary SROs will not only help in restricting the fiscal deficit but shall also improve the tax-to-GDP ratio.

Even though the foreign inflows have improved, however, most of these inflows have materialized under the head of Foreign Portfolio Investment which is of short-term nature, while Foreign Direct Investment has remained dismal. To address energy issues, as it has become imperative for the government to improve security and energy situation in the country, government plans to raise energy tariffs which shall rebuild inflationary cycles in the economy. Tax collection has remained below target which needs to be improved to address fiscal concerns and tax base should be widened to bring undocumented sectors under the tax net. Sharp appreciation in real effective exchange rate has made our exports uncompetitive and has had adverse consequences on trade balance and external account of the country. To conclude, economic recovery has started but much more needs to be done to achieve sustainable economic growth.

### **Equity Review**

The KMI-30 Index continued on its positive momentum in FY 14 and closed the year at the level of 47,687 on June 30, 2014, yielding an impressive 29.89% return for the above period. With a smooth political transition and achievement of simple majority, the PML-N government triggered optimism by bringing the economy back on track and averting the balance of payment crisis. Post the general elections, a smooth change of guards at major power centers including presidency, army and judiciary further helped in strengthening the foundations of democracy. Softening inflationary pressures, strengthening PKR vs. USD, initiation of privatization program and considerable improvement in the country's forex reserves helped restore investors' confidence which was reflected in the form of increased average trading volume of 146 million shares (compared to 125 million shares in the corresponding period last year) while the average traded value also rose by 74.67% to Rs. 8.8 billion.

The KSE-100 (KSE-100), during the period under review also appreciated by 38.8% closing at 29,653.

After going through a consolidation phase during the first three months of this fiscal year, the market started regaining its momentum on the back of foreign flows and robust economic activity. Initially the potential decrease in cement prices, abnormal PKR devaluation, rising inflation numbers along with SBP's return to a monetary tightening stance were the major factors limiting the market growth. Later, cement price increase, improving PKR versus USD and the fall in CPI numbers to a single digit helped to restore investor confidence and resumed increase in the stock market.

The positive macro economic factors helped the KSE-100 index and KMI-30 in touching their all time highs of 29,790 and 48,065 respectively and eventually closed the fiscal year at 29,653 and 47,687.

### Equity Flows

Net foreign participation in the equity market, after remaining weak (USD 9 million net outflow during the first six months of FY'14), regained massive momentum during the second half taking the fiscal year to date foreign portfolio investment to a net inflow of USD 253 million. Banks with a net buy of USD 88 million were the leading buyers in the market followed by companies which invested USD 60 million during the same period. However, Mutual Funds remained net sellers in the market with a net outflow of USD 154 million.

### Sector Performance

During FY14, strong local and foreign flows mainly led to strong rally in fundamentally sound stocks in Banking, Oil and Gas and Construction Sectors remained in the limelight as expected discount rate cut by the SBP did not materialize, hence, leading to a rally in previously depressed banking stocks. Construction Sector remained depressed during the latter half of the year with exception of Lucky Cement stock which went up in anticipation of strong potential cash-flows owing to new investment in Coal Plant. Pakistan Petroleum gained on the back of a successful secondary offering by the GoP.

Amongst the lagging stocks were Engro Foods, National Refinery in Food Producers and Oil and Gas sector which declined owing to adverse company-specific fundamental developments.

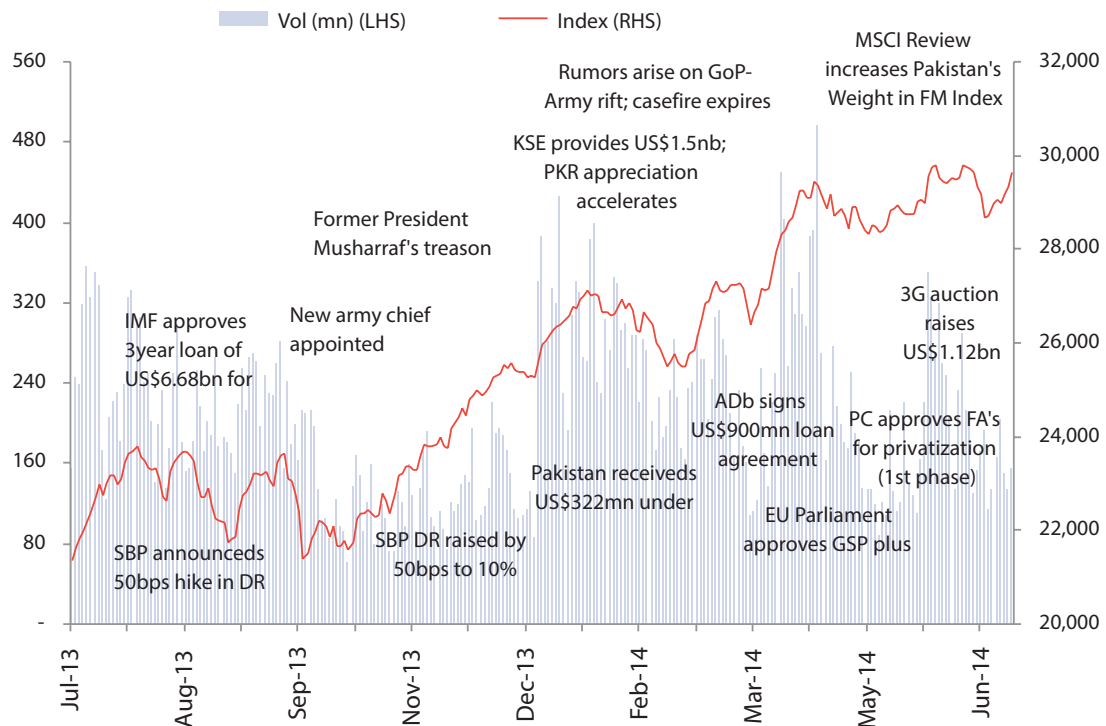
#### Key contributors to the increase in Index

Company Name	KMI -30 Index Points	Total Return
Lucky Cement Ltd	1,896	102.54%
Pakistan Petroleum Ltd	1,280	32.99%
Pakistan State Oil	994	35.93%
Oil & Gas Development Company Ltd	651	18.28%

#### Key contributors to the decline in Index

Company Name	KMI -30 Index Points	Total Return
Engro Foods Ltd	-289	-27.16%
National Refinery Ltd	-49	-4.56%
Pakgen Power Ltd	-13	-16.35%
Lotte Chemicals	-13	-5.64%

A graphical summary of the performance of KMI-30 index is as follows:



### Mutual Fund Industry Review

During the FY14, Assets under Management (AUM) of the mutual fund industry witnessed an increase of 12.0% to Rs. 402 billion. Islamic funds grew by 25.6% during the year to Rs 85 billion, thus bringing the market share of Islamic funds to 21.0% in the mutual fund industry.

Open end Equity funds (including capital protected, index tracker, and asset allocation) increased by 28.3% to reach Rs 152 billion compared to Rs 118 billion as at June 30, 2013. Islamic equity funds, on the other hand, showed a significant growth of 64.9% in the year and stood at Rs. 33 billion.

Al Meezan's market share in the mutual funds' industry stands at 14.0% as at June 30, 2014 while it represents 66.6% of the Islamic mutual funds industry. The rise in equity funds in FY14 can be attributed to the favorable development on the economic side by the incumbent government. The positive policy making and implementation led to foreign confidence which eventually led to higher foreign inflows, leading the equity market to new highs. Coupled with a policy of monetary stagnation and interest rate cuts, the growth in equity funds significantly surpassed income funds.

## Performance Review

Name of Fund	Type	Net Assets June 30, 2014 (Rs. millions)	Growth in Net Assets for FY14	Return for FY14	Benchmark Return FY14
Al Meezan Mutual Fund (AMMF)	Open-End Equity	2,847	30%	29.86%	29.89%
Meezan Islamic Fund (MIF)	Open-End Equity	16,622	75%	29.15%	29.89%
KSE Meezan Index Fund	Open-End Index Tracker	1,176	30%	26.49%	29.89%
Meezan Balanced Fund (MBF)	Open-End Balanced	1,930	10%	19.64%	17.63%
<b>Total</b>		<b>22,575</b>			

## Operational Review

Please refer to respective fund management reports for operational reviews.

## Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible offer themselves as auditors of the collective investment schemes under management of Al Meezan for FY 2014-15. 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 2014-15.

## Outlook

The current government has a clear cut mandate and with a simple majority in the national assembly, it is now in a better position to deliver on its manifesto. Right from the start, PML-N has undertaken some painful economic reforms, the pace of which has been affected due to an inevitable need of the government to focus on issues pertinent to external account. The government's efforts coupled with the IMF program helped the country in averting its balance of payment risk and achieve commendable improvement in macro indicators. This has strengthened the country's fiscal and economic profile. With the IMF hinting on the requirement of keeping interest rates elevated to support external account, monetary policy direction will depend on further improvement in the current forex reserves position. On local front, broadening of tax revenue (SRO's removal) and restructuring/privatization of State Owned Enterprises (SOEs) are challenges in the near term that the government will need to tackle to reduce fiscal deficit and divert funds to more productive developments.

We expect the government to focus more on infusing economic growth, improving transparency and bring about administrative efficiencies. Resultantly the stock market is also expected to gain on the back of a positive economic outlook, stable government with a focus on good governance and attractive valuations of fundamentally strong scrips.

The KMI-30 index is expected to consolidate at current levels; the index is currently trading at a PE Ratio of 8.1x, with FY'15 earnings growth of 16%. Following improved economic statistics, the potential of Pakistan's higher weightage in the MSCI Frontier Market (FM) index is expected to create positive vibes in the market and sustain positive momentum.

### 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.
- 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 during the year are as under:

#### Meezan Islamic Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Ariful Islam	Chairman	88,825	Nil
Mr. Mohammad Shoaib, CFA	CEO	Nil	561,798
Mr. Mazhar Sharif	Director	46,090	84,221
Mr. Tasnimul Haq Farooqui	Director	Nil	936

#### Al Meezan Mutual Fund

Trades By	Designation	No. of units invested	No. of units redeemed
Mr. Mohammad Shoaib, CFA	CEO	3,823,141	Nil

### **Meezan Balanced Fund**

<b>Trades By</b>	<b>Designation</b>	<b>No. of units invested</b>	<b>No. of units redeemed</b>
Mr. Ariful Islam	Chairman	1,681,237	Nil

- 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 the largest asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan and Trustee, Central Depository Company of Pakistan 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.

For and on behalf of the Board

Date: August 28, 2014  
Karachi

**Mohammad Shoaib, CFA**  
**Chief Executive**





# Meezan Islamic Fund (MIF)

The objective of Meezan Islamic Fund is to maximize total investor returns by investing in Shariah compliant equities focusing on both capital gains and dividend income.





# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Moin M. Fudda	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Mazhar Sharif	Non-Executive	
Syed Amir Ali	Non-Executive	
Syed Amir Ali Zaidi	Non-Executive	
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. Ariful Islam	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	Burj Bank Limited
BankIslami Pakistan Limited	Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited - Islamic Banking	Habib Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking	MCB Bank Limited
Meezan Bank Limited	National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited - Islamic Banking	UBL Ameen

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

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

## REPORT OF THE FUND MANAGER

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

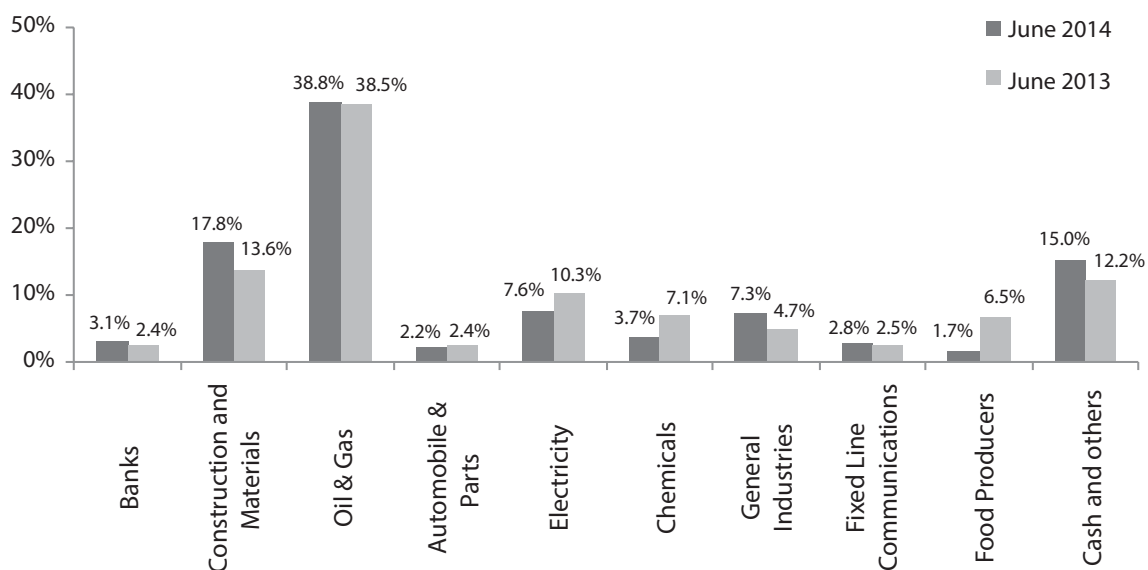
The objective of MIF is to provide optimum returns to the investors from investment in Shariah Compliant investments for the given level of risk, while abiding by all applicable rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), dividend income and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

### Strategy, Investment Policy and Asset Allocation

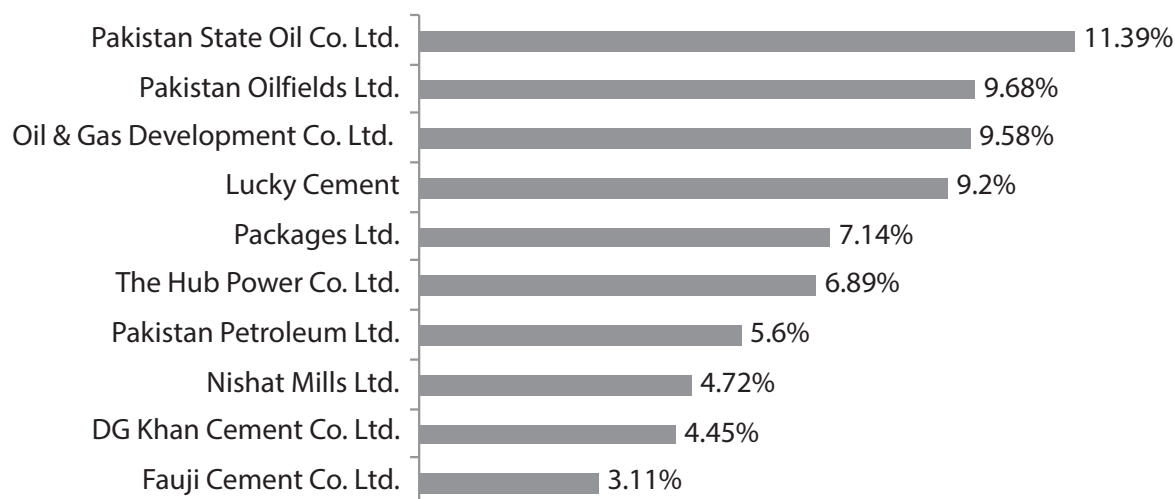
The performance of MIF is linked directly to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against 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 97.11% in line with the market trend. However, it maintained an average exposure of 91.87% to equities during the year, while closing the year at 91.77%. The fund maintained heavy exposure to the Oil & Gas sector taking into consideration the profitability of these sectors while it increased exposure in Paper & Board and Cement sectors. However, exposure in Food Producers sector has been reduced due to weak outlook.

### Sector Allocation for the year ended FY13 and FY14



## Top Holdings

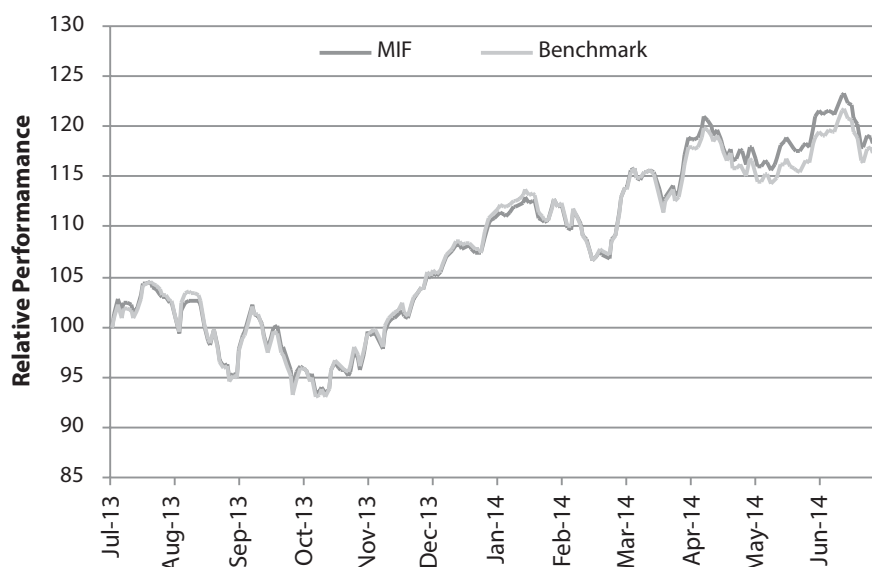


### Performance Review

During fiscal year 2014, Meezan Islamic Fund (MIF) provided a return of 28.87% to its investors while KSE Meezan Index (KMI 30) appreciated by 29.89% to close at 47,687.

MIF posted a total income of Rs. 3,155 million in the fiscal year 2014 as compared to Rs. 3,190 million last year. Total income comprised of realized gains and unrealized gain on investments of Rs. 1,369 million and Rs. 1,085 million respectively. Dividend income contributed Rs. 590 million to the income, while profit on savings account at banks amounted to Rs. 88 million. After accounting for expenses of Rs. 448 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 471 million, the Fund posted a net profit of Rs. 3,178 million. The net assets of the Fund as at June 30, 2014 were Rs. 16,622 million as compared to Rs. 9,476 million at the end of year depicting a rise of 75%. The net asset value per unit as at June 30, 2014 was Rs. 50.24 as compared to Rs.62.42 (cum dividend) per unit as on June 30, 2013.

	<u>MIF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2013 -Rs.	44.92	36,713
Net Asset Value (NAV) as on June 30, 2014 -Rs. (Dividend adjusted)	50.24	47,687
Return During the Period	28.87%	29.89%



### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable / welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2014 an amount of Rs. 10.68 million was accrued as charity payable.

### Distributions

The Board of Directors in its meeting held on August 28, 2014 approved NIL distribution for the year ended June 30, 2014. The interim distribution by the fund during the fiscal year ended June 30, 2014 was Rs. 7.65 per unit (15.30%). Total distribution made by the fund was Rs. 2,070 million.

### Fund Ranking

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

### Breakdown of unit holdings by size:

(As on June 30, 2014)

Range (Units)	No. of investors
1 - 9,999	4,520
10,000 - 49,999	2,310
50,000 - 99,999	394
100,000 - 499,999	240
500,000 and above	63
Total	7,527



**Meezan Bank**  
The Premier Islamic Bank

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

August 28, 2014 / Zul Qad 2, 1435

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, 2014 and their evaluation according to the screening criteria established by us. (December 31, 2013 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
DG Khan Cement Co Ltd	Cement Manufacturer	14.08	30.26	4.88	65.24	17.19	85.73
Fauji Cement Company Limited	Cement Manufacturer	32.74	1.15	0.56	92.16	-8.54	15.95
Lucky Cement	Cement Manufacturer	12.13	0.06	0.01	79.8	-42.49	299.87
Nishat Mills Ltd	Textile Products Manufacturer	27.32	19.71	1	67.15	-4.22	127.24
Pakistan Oilfields Limited	Oil & Gas Exploration and Production	0	0.01	0.88	74.85	-30.43	497.71

Page 1 of 2

**Meezan Bank Ltd.**  
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Tel : (92-21) 38103500, Fax : (92-21) 36406049 www.meezanbank.com



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Pakistan Petroleum Limited	Oil & Gas Exploration and Production	0.13	18.23	3.87	44.17	41.32	213.96
Pakistan State Oil Company Limited	Oil & Gas Distribution	27.06	12.74	1.05	31.51	-136.47	332.22
Packages Ltd	General Industries	14.18	17	2.97	71.4	41.52	272.63
The Hub Power Co. Ltd	Electricity	33.01	0	0.09	51.76	-35	60.72
Oil and Gas Development Co.***	Oil & Gas Exploration and Production	0	41.49	6.01	34.65	44.55	276.36

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

\*\* All interest based debts.

\*\*\* On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and 'Non Compliant Investments to Total Investments' ratio.

- ii. On the basis of information provided by the management, all operations of MIF for the year ended June 30, 2014 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 10.21 million was created and an amount of Rupees 12.11 million was available for disbursement as of June 30, 2014.

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**

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URL: www.cdcpakistan.com  
Email: info@cdcpak.com



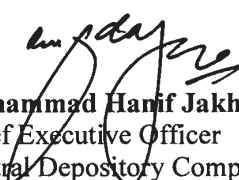
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN ISLAMIC FUND**

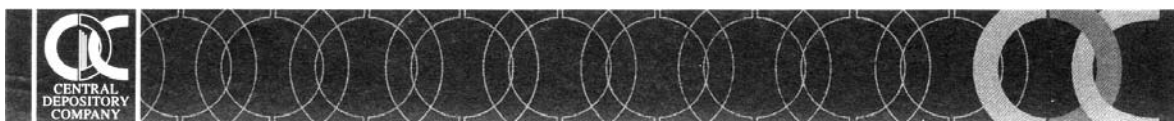
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2014 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 19, 2014





## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2014

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. Moin M. Fudda
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. Two casual vacancies occurred on the board on February 11, 2014 & April 29, 2014, which were filled up by the directors within 30 days. As required under clause (xi) of CCG regulation 35, all the relevant documents were circulated to the director and orientation will be conducted in forthcoming board of directors meeting. Further, as required under clause (v) of CCG regulation 35, mechanism for annual evaluation has been put in place and annual board's performance evaluation will be carried out in forthcoming year.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, 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' as at June 30, 2014.

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 unitholding.
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 CEO. All the other members, including chairman of the committee, are non-executive directors.
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 Shoab, CFA**  
Chief Executive

Karachi  
Date: August 28, 2014



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

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Fax + 92 (21) 3568 5095  
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### **Review Report to the Unitholders' of Meezan Islamic Fund ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") of the Fund for the year ended 30 June 2014 to comply with the requirements of 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 and report if it does not and to highlight any non-compliance with the requirements of Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2014.

**Date: 28 August 2014**

**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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## **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 2014, 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 2014, and of its financial performance, cash flows and transactions for the year then ended 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: 28 August 2014**

**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.

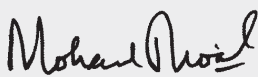
# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>Assets</b>			
Balances with banks	4	1,698,950	786,424
Investments	5	15,297,896	8,878,719
Dividend receivable		15,254	7,849
Deposits and other receivables	6	27,335	22,411
<b>Total assets</b>		<b>17,039,435</b>	<b>9,695,403</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	82,432	32,341
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	1,405	879
Payable to Meezan Bank Limited (MBL)		2,804	329
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	11,563	6,686
Payable on redemption and conversion of units		20,228	26,412
Payable against purchase of investments		178,972	99,386
Accrued expenses and other liabilities	10	120,266	53,057
<b>Total liabilities</b>		<b>417,670</b>	<b>219,090</b>
<b>Net assets</b>		<b>16,621,765</b>	<b>9,476,313</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund (as per statement attached)</b>		<b>16,621,765</b>	<b>9,476,313</b>
<b>Number of units</b>			
<b>Number of units in issue</b>	13	<b>330,854,335</b>	<b>151,821,956</b>
<b>Rupees</b>			
<b>Net assets value per unit</b>		<b>50.24</b>	<b>62.42</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, 2014

	Note	2014 (Rupees in '000)	2013
<b>Income</b>			
Net realised gain on sale of investments		1,368,946	2,156,536
Dividend income		590,328	456,951
Profit on saving accounts with banks		88,039	30,849
Other income		22,845	10,806
		<b>2,070,158</b>	2,655,142
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)		1,085,071	536,167
Impairment loss on 'available for sale' investments		-	(29,825)
		<b>1,085,071</b>	506,342
<b>Total income</b>		<b>3,155,229</b>	3,161,484
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - Management Company	7.1	243,430	140,759
Sindh Sales Tax and Federal Excise Duty on Management Fee	7.2 & 7.3	83,218	24,026
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	13,171	8,038
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	9	11,563	6,686
Auditors' remuneration	14	570	605
Charity expense		10,209	8,419
Fees and subscription		30	40
Legal and professional charges		195	195
Brokerage		15,176	10,737
Bank and settlement charges		5,163	2,903
Provision for Workers' Welfare Fund (WWF)	12	64,858	40,590
Printing expenses		351	700
<b>Total expenses</b>		<b>447,934</b>	243,698
<b>Net income from operating activities</b>		<b>2,707,295</b>	2,917,786
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		470,768	286,478
<b>Net income for the year before taxation</b>		<b>3,178,063</b>	3,204,264
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<b>3,178,063</b>	3,204,264
<b>Other comprehensive income for the year</b>			
<b>Items that can be reclassified to income statements in subsequent periods</b>			
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' (net)	5.2.2	302,086	(23,087)
<b>Total comprehensive income for the year</b>		<b>3,480,149</b>	3,181,177

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

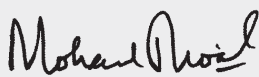
# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Undistributed income / Accumulated (loss) brought forward		
- Realised	1,838,271	(67,617)
- Unrealised	536,167	117,085
	<b>2,374,438</b>	49,468
Final distribution on July 08, 2013 for the year ended June 30, 2013:		
- bonus units @ 35% (Rs. 17.5 per unit) (June 30, 2012 @ Rs. 8.25 per unit)	<b>(2,655,025)</b>	(886,753)
- cash dividend @ 35% (Rs. 17.5 per unit) (June 30, 2012 @ Rs. 8.25 per unit)	<b>(1,859)</b>	(927)
Interim distribution on May 30, 2014 for the year ended June 30, 2014:		
- bonus units @ 15.30% (Rs. 7.65 per unit) (June 30, 2013 nil units)	<b>(2,068,741)</b>	-
- cash dividend @ 15.30% (Rs. 7.65 per unit) (June 30, 2013 nil units)	<b>(1,293)</b>	-
Total Distribution	<b>(4,726,918)</b>	(887,680)
Net income for the year	<b>3,178,063</b>	3,204,264
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>348,724</b>	8,386
Undistributed income carried forward	<b>1,174,307</b>	2,374,438
Undistributed income carried forward		
- Realised	<b>89,236</b>	1,838,271
- Unrealised	<b>1,085,071</b>	536,167
	<b>1,174,307</b>	2,374,438

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, 2014

	2014	2013
	(Rupees in '000)	
Net assets at beginning of the year	9,476,313	5,343,159
Issue of 180,308,411 (2013 : 80,480,405) units	9,295,386	4,273,821
Redemption of 102,225,139 (2013: 57,669,961) units	(5,156,163)	(3,034,439)
	4,139,223	1,239,382
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(470,768)	(286,478)
Issue of 100,949,107 bonus units for the year ended June 30, 2014 (June 30, 2012: 21,413,976 bonus units)	4,723,766	886,753
Net realised gain on sale of investments	1,368,946	2,156,536
Unrealised appreciation in the value of investments (net)	1,387,157	483,255
Net other income for the year	724,046	541,386
Total other comprehensive income for the year	3,480,149	3,181,177
Final distribution on July 08, 2013 for the year ended June 30, 2013:		
- Issue of 59,105,633 bonus units for the year ended June 30, 2013 (June 30, 2012: 21,413,976 bonus units)	(2,655,025)	(886,753)
- Cash distribution	(1,859)	(927)
Interim distribution on May 30, 2014 for the year ended June 30, 2014:		
- Issue of 41,843,474 bonus units for the year ended June 30, 2014 (June 30, 2013: Nil units)	(2,068,741)	-
- Cash distribution	(1,293)	-
	(4,726,918)	(887,680)
Net assets at end of the year	16,621,765	9,476,313
	(Rupees)	
Net assets value per unit at beginning of the year	62.42	49.66
Net assets value per unit at end of the year	50.24	62.42

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director




## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

Note	2014 (Rupees in '000)	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	3,178,063	3,204,264
<b>Adjustments for:</b>		
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)	(1,085,071)	(536,167)
Impairment loss on 'available for sale' investments	-	29,825
Element of income and capital gains in prices of units issued less those in units redeemed (net)	(470,768)	(286,478)
	<b>(1,555,839)</b>	<b>2,411,444</b>
<b>(Increase) / Decrease in assets</b>		
Investments (net)	(5,032,020)	(3,231,509)
Receivable against sale of investments	-	2,307
Dividend receivable	(7,405)	2,363
Deposits and other receivables	(4,924)	(9,765)
	<b>(5,044,349)</b>	<b>(3,236,604)</b>
<b>Increase in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	50,091	17,186
Payable to Central Depository Company of Pakistan Limited - Trustee	526	267
Payable to Meezan Bank Limited	2,475	262
Payable to Securities and Exchange Commission of Pakistan	4,877	2,087
Payable against purchase of investments	79,586	99,386
Accrued expenses and other liabilities	67,209	43,997
	<b>204,764</b>	<b>163,185</b>
<b>Net cash used in operating activities</b>	<b>(3,217,361)</b>	<b>(661,975)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuances of units	9,295,386	4,273,821
Dividend paid	(3,152)	(927)
Payment against redemption of units	(5,162,347)	(3,010,155)
<b>Net cash inflow from financing activities</b>	<b>4,129,887</b>	<b>1,262,739</b>
Net increase in cash and cash equivalents during the year	912,526	600,764
Cash and cash equivalents at beginning of the year	786,424	185,660
Cash and cash equivalents at end of the year	4 <b>1,698,950</b>	<b>786,424</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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

## 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. The Fund is categorized as Equity Scheme.
- 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 3-Star' by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund.

## 2. BASIS OF PRESENTATION

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

### 2.1 Statement of compliance

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 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 requirement of NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, 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 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, 2014:

- 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.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 1, 2014). These 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.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 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.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after January 1, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after July 1, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 1, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Fund can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 1, 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
  - IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
  - IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
  - Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- These interpretations will not likely have an impact on the Fund's financial statements.

### 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 through other comprehensive income.

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

### **3.1.7 Derecognition**

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

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

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

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

## **3.2 Unitholders' fund**

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

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

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

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

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

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

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

The element is recognised in the Income Statement to the extent that it is represented by income earned during the year and 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 has availed 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 has availed 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) Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (iii) Profit on 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	2014 (Rupees in '000)	2013
<b>4. BALANCES WITH BANKS</b>			
On current accounts		2,308	8,466
On saving accounts	4.1	1,696,642	777,958
		<u>1,698,950</u>	<u>786,424</u>
<b>4.1</b>	The balances in saving accounts have an expected profit ranging from 3.72% to 9.40% per annum (2013 : 5% to 9.4% per annum).		
<b>5. INVESTMENTS</b>			
Investments - 'at fair value through profit or loss'	5.1	10,611,206	4,670,683
Investments - 'available for sale'	5.2	4,686,690	4,208,036
		<u>15,297,896</u>	<u>8,878,719</u>
<b>5.1 Investments - 'at fair value through profit or loss'</b>			
Held for trading	5.1.1	10,366,703	4,462,743
Investments - 'at fair value through profit or loss upon initial recognition'	5.1.4	244,503	207,940
		<u>10,611,206</u>	<u>4,670,683</u>

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

Name of the investee company	As at July 1, 2013	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage of market value of total investments
	Number of Shares				Rupees in '000			%	
<b>Sector / Companies</b>									
<b>Automobile and parts</b>									
Agriauto Industries Limited (note 5.1.2)	596,700	70,000	-	325,000	341,700	26,041	32,974	6,933	0.22
Indus Motor Company Limited	384,944	68,000	-	60,200	392,744	134,093	211,265	77,172	1.38
Pakistan Suzuki Motor Company Limited	220,322	118,300	-	50,000	288,622	47,251	79,051	31,800	0.52
									<b>2.12</b>
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	3,506,249	714,000	-	2,295,500	1,924,749	73,351	76,547	3,196	0.50
Fauji Fertilizer Company Limited	5,085,859	860,000	-	2,986,900	2,958,959	320,772	332,143	11,371	2.17
ICI Pakistan Limited	13,000	950,200	-	490,000	473,200	182,900	184,709	1,809	1.21
Sitara Chemicals Industries Limited	-	500	-	-	500	111	148	37	-
									<b>3.88</b>
<b>Construction and Materials (Cement)</b>									
Attock Cement Pakistan Limited	683	1,000	4	650	1,037	151	164	13	-
Cherat Cement Company Limited	-	1,316,000	101,400	79,000	1,338,400	100,468	87,612	(12,856)	0.57
D.G Khan Cement Company Limited	91,722	5,093,000	-	2,414,500	2,770,222	246,608	243,669	(2,939)	1.59
Fauji Cement Company Limited	-	31,036,000	-	4,100,000	26,936,000	452,948	518,249	65,301	3.39
Kohat Cement Company Limited	-	4,400	-	-	4,400	497	562	65	-
Lucky Cement Limited	207,179	3,845,600	-	492,900	3,559,879	1,271,998	1,460,618	188,620	9.55
Pioneer Cement Limited	-	1,713,000	-	-	1,713,000	80,199	79,929	(270)	0.52
									<b>15.62</b>
<b>General industrials</b>									
Packages Limited	1,488,779	792,300	-	2,108,700	172,379	51,916	86,460	34,544	0.57
Thal Limited (note 5.1.2)	195,205	6,102	-	75,000	126,307	16,201	26,195	9,994	0.17
Tri-Pack Films Limited	218,300	-	-	218,300	-	-	-	-	-
									<b>0.74</b>
<b>Fixed Line Telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	10,737,537	14,050,500	-	6,225,000	18,563,037	468,284	472,801	4,517	<b>3.09</b>
<b>Multiutilities (Gas and Water)</b>									
Sui Northern Gas Pipelines Limited	-	3,951,000	-	-	3,951,000	91,835	89,490	(2,345)	<b>0.58</b>
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	-	8,204,000	-	2,018,000	6,186,000	240,498	267,483	26,985	<b>1.75</b>
<b>Oil and gas</b>									
Attock Petroleum Limited	20,066	227,400	4,013	-	251,479	128,733	148,330	19,597	0.97
Attock Refinery Limited	400	444,300	-	375,200	69,500	14,771	14,754	(17)	0.10
Pakistan Oilfields Limited	2,050,047	1,153,400	-	809,400	2,394,047	1,225,632	1,374,901	149,269	8.99
Pakistan Petroleum Limited	3,526,575	1,344,400	787,675	1,905,000	3,753,650	696,773	842,094	145,321	5.50
Pakistan State Oil Company Limited	170,302	3,498,601	132,520	832,100	2,969,323	1,048,885	1,154,621	105,736	7.55
Mari Petroleum Company Limited	-	477,500	-	10,000	467,500	167,389	174,579	7,190	1.14
National Refinery Limited	1,505	359,500	-	29,400	331,605	72,332	71,418	(914)	0.47
Oil and Gas Development Company Limited (note 5.1.3)	1,290,194	1,872,200	-	838,600	2,323,794	575,881	607,161	31,280	3.97
Shell Pakistan Limited	-	76,200	300	-	76,500	21,817	21,135	(682)	0.14
									<b>28.83</b>
<b>Pharma and Bio Tech</b>									
Abbott Laboratories (Pakistan) Limited	-	416,100	-	1,000	415,100	167,360	237,570	70,210	1.55
Ferozsons Laboratories Limited	-	30,700	-	-	30,700	5,034	7,075	2,041	0.05
Glaxo Smithkline Pakistan Limited	-	53,200	5,320	-	58,520	9,123	9,716	593	0.06
									<b>1.66</b>
<b>Electricity</b>									
Hub Power Company Limited	692,216	5,459,500	-	1,602,000	4,549,716	272,767	267,249	(5,518)	1.75
K - Electric Limited (formerly Karachi Electric Supply Company Limited)	-	13,757,000	-	5,000,000	8,757,000	63,976	74,347	10,371	0.49
Kohinoor Energy Limited	700,000	646,000	-	156,500	1,189,500	42,686	49,269	6,583	0.32
Pakgen Power Limited	-	2,105,000	-	2,000,000	105,000	1,837	1,894	57	0.01
									<b>2.57</b>
<b>Engineering</b>									
Millat Tractors Limited	-	2,700	-	-	2,700	1,279	1,348	69	<b>0.01</b>
<b>Food producers</b>									
Engro Foods Limited	2,392,021	5,517,500	-	5,215,100	2,694,421	288,333	276,259	(12,074)	<b>1.81</b>
<b>Personal Goods</b>									
Nishat Mills Limited	3,836,500	5,481,600	-	2,322,800	6,995,300	751,465	782,914	31,449	<b>5.12</b>
<b>Total</b>						<b>9,362,195</b>	<b>10,366,703</b>	<b>1,004,508</b>	
<b>Total cost of investments</b>							<b>9,020,017</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.

**5.1.3** 439,000 shares (2013: 439,500 shares) of Oil and Gas Development Company Limited, having market value of Rs 114.833 million (2013: Rs 100.536 million) as at June 30, 2014, 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

Name of the investee company	As at July 1, 2013	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage of market value of total investments
	Number of Shares					Rupees in '000			%
<b>Sector / Companies</b>									
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	7,167,442	-	-	1,517,236	5,650,206	163,856	244,315	80,459	1.60
<b>General industrials</b>									
Packages Limited	374	-	-	-	374	84	188	104	0.00
<b>Total</b>						<b>163,940</b>	<b>244,503</b>	<b>80,563</b>	
<b>Total cost of investments</b>						<b>57,329</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, 2013	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage of market value of total investments
	Number of Shares					Rupees in '000			%
<b>Sector / Companies</b>									
<b>Automobile and parts</b>									
Indus Motor Company Limited	103,068	-	-	50,000	53,068	12,165	28,546	16,381	0.19
Pakistan Suzuki Motor Company Limited	24,105	-	-	-	24,105	1,759	6,602	4,843	0.04
									<b>0.23</b>
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	715,880	-	-	591,000	124,880	1,552	5,400	3,848	0.04
BankIslami Pakistan Limited	500	-	-	-	500	2	5	3	-
									<b>0.04</b>
<b>Chemicals</b>									
Fauji Fertilizer Company Limited	-	350,000	-	350,000	-	-	-	-	-
ICI Pakistan Limited	59,975	-	-	-	59,975	7,795	23,411	15,616	0.15
									<b>0.15</b>
<b>Construction and Materials (Cement)</b>									
Attock Cement Pakistan Limited	136,350	-	-	136,350	-	-	-	-	-
D.G Khan Cement Company Limited	7,125,000	-	-	1,468,000	5,657,000	471,170	497,590	26,420	3.25
Lucky Cement Limited	3,100,000	175,000	-	3,096,000	179,000	68,002	73,444	5,442	0.48
									<b>3.73</b>
<b>Fixed Line Telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	-	770,000	-	770,000	-	-	-	-	-
<b>Electricity</b>									
Hub Power Company Limited	15,000,000	-	-	-	15,000,000	949,610	881,099	(68,511)	5.76
<b>General Industrials</b>									
Packages Limited	250,000	1,950,000	-	-	2,200,000	1,047,945	1,103,454	55,509	7.21
Tri-Pack Films Limited	10	-	-	10	-	-	-	-	-
									<b>7.21</b>
<b>Food Producers</b>									
Engro Foods Limited	2,100,000	185,000	-	2,281,400	3,600	377	369	(8)	-
<b>Oil and gas</b>									
National Refinery Limited	1,151	-	-	1,000	151	37	33	(4)	-
Oil and Gas Development Company Limited (note 5.1.3)	3,600,000	202,300	-	15,600	3,786,700	928,601	989,389	60,788	6.47
Pakistan Oilfields Limited	-	415,600	-	-	415,600	221,517	238,679	17,162	1.56
Pakistan Petroleum Limited	-	405,000	-	-	405,000	88,878	90,858	1,980	0.59
Pakistan State Oil Company Limited	2,426,000	-	242,600	754,100	1,914,500	519,035	744,453	225,418	4.86
									<b>13.48</b>
<b>Personal Goods</b>									
Nishat Mills Limited	-	30,000	-	-	30,000	3,539	3,358	(181)	0.02
<b>Total</b>						<b>4,321,984</b>	<b>4,686,690</b>	<b>364,706</b>	
<b>Total cost of investments</b>						<b>4,321,984</b>			

	Note	2014 (Rupees in '000)	2013
<b>5.2.2 Net unrealised appreciation / (diminution) on re-measurement of investment classified as 'available for sale'</b>			
Market value of investments		4,686,690	4,208,036
Less: Cost of investments		4,321,984	4,145,416
		364,706	62,620
Less: Net unrealised diminution on re-measurement of investments classified as 'available for sale' at beginning of the year (net of impairment)		62,620	115,532
		302,086	(52,912)
Impairment loss on listed equity securities classified as 'available for sale' - transferred to income statement		-	29,825
		302,086	(23,087)
<b>6. DEPOSITS AND OTHER RECEIVABLES</b>			
Deposits		2,600	2,600
Performance rating fee		14	-
Profit receivable on saving accounts with banks		24,721	19,811
		27,335	22,411
<b>7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company</b>			
Management fee	7.1	26,449	15,667
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	42,817	4,006
Sales load		4,718	9,137
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	8,443	3,526
Certificate charges		5	5
		82,432	32,341

**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, 2014.

**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** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and the Honourable High Court Sindh in a Constitutional petition relating to levy of Federal Excise Duty (FED) on Mutual Fund has granted stay order for the recovery of Federal Excise Duty (FED). As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 38.55 million had the provision not been made, the Net Asset Value per unit of the Fund as at June 30, 2014 would have been higher by Rs. 0.12 per unit.

## 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, 2014 and 2013 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% of the average annual net assets payable to Securities and Exchange Commission of Pakistan under regulation 62 read with Schedule II of NBFC Regulations.

	Note	2014 (Rupees in '000)	2013
<b>10. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration	14	433	432
Charity payable	10.1	12,113	10,685
Printing expenses payable		495	596
Withholding tax payable		281	687
Workers' Welfare Fund payable	12	105,448	40,590
Other payable		1,268	2
Zakat payable		228	65
		<b>120,266</b>	<b>53,057</b>

**10.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 12.113 million (2013: Rs 10.685 million) is outstanding in this regard after making charity payments of Rs 9.250 million (2013: Rs 5.920 million) to renowned charitable institutions. None of the directors of the Management Company were interested in any of donees.

## 11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2014.

## 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 / 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 Honourable 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 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. However, decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2014 amounting to Rs. 105.448 million which includes Rs. 64.858 million pertaining to the current year and Rs. 40.590 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 0.32 (0.63%).

The Board of Directors of the management Company in its meeting held on October 25, 2013 have resolved that unrecorded accumulated WWF provision in the fund from the date of its application till December 31, 2012, in case is required to be paid, shall be borne by Al Meezan Investment Management Limited (Management Company of the fund). Therefore, the Fund not exposed to this unrecorded accumulated WWF provision. The unrecorded accumulated provision for WWF upto December 31, 2012 is Rs. 89.304 million.

	2014	2013
	(Nuber of units)	
<b>13. NUMBER OF UNITS IN ISSUE</b>		
<b>13.1</b> 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>151,821,956</b>	107,597,536
Add: units issued during the year	<b>180,308,411</b>	80,480,405
Add: bonus units issued during the year	<b>100,949,107</b>	21,413,976
Less: units redeemed during the year	<b>(102,225,139)</b>	(57,669,961)
Total units in issue at the end of the year	<b><u>330,854,335</u></b>	<u>151,821,956</u>

**13.2** 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.

**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; and
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

	<b>2014</b>	<b>2013</b>
	(Rupees in '000)	
<b>14. AUDITORS' REMUNERATION</b>		
Statutory Audit Fee	<b>300</b>	322
Half yearly review	<b>135</b>	125
Other certifications and services	<b>110</b>	110
Out of pocket expenses	<b>25</b>	48
	<b>570</b>	605

**15. 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, KSE Meezan Index Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Capital Protected Fund - II, Meezan Financial Planning Fund of Funds, Meezan Balanced Fund, Meezan Capital Preservation Fund – III, Meezan Capital Preservation Fund – II and Meezan Tahaffuz Pension Fund being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Gratuity Fund and Unitholders holding 10% or more units of the 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, 2014 and as of that date along with comparatives are as follows:



	2014	2013
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	26,449	15,667
Sindh Sales Tax and Federal Excise Duty on management fee payable	42,817	4,006
Sales load payable	4,718	9,137
Sindh Sales Tax and Federal Excise Duty on sales load payable	8,443	3,526
Certificate charges payable	5	5
Investment of 200,089 units (June 30, 2013: nil units)	10,052	-
<b>Meezan Bank Limited</b>		
Bank balance	239,171	53,339
Sales load payable	2,804	329
Investment in 11,961,086 shares (June 30, 2013: 7,883,322 shares)	517,198	228,617
Investment of 21,475,049 units (June 30, 2013: 13,383,465 units)	1,078,883	835,396
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	1,405	864
CDS Charges payable	-	15
Deposits	100	100
<b>Al Meezan Investment Management Limited - Employees Gratuity Fund</b>		
Investment in 120,915 units (June 30, 2013 : 75,109 units)	6,075	4,688
<b>Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan</b>		
Investment in 4,553,883 units (June 30, 2013: 2,958,967 units)	228,787	184,699
<b>Meezan Financial Planning Fund of Funds - Moderate Allocation Plan</b>		
Investment in 2,501,604 units (June 30, 2013: 1,200,768 units)	125,681	74,952
<b>Meezan Financial Planning Fund of Funds - Conservative Allocation Plan</b>		
Investment in 1,689,514 units (June 30, 2013: 1,035,037 units)	84,881	64,607
<b>Meezan Capital Preservation Fund-III</b>		
Investment in 43,353,018 units (June 30, 2013: nil units)	2,178,056	-
<b>Meezan Capital Preservation Fund-II</b>		
Investment in 19,855 units (June 30, 2013: nil units)	998	-
<b>Directors and executives of the Management Company</b>		
Investment of 3,884,134 units (June 30, 2013: 2,750,198 units)	195,139	171,667

	For the year ended June 30	
	2014	2013
	(Rupees in '000)	
<b>AI Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year	243,430	140,759
Sindh Sales Tax and Federal Excise Duty on management fee	83,218	24,026
Bonus units issued: 26,812 units (2013: nil units)	1,326	-
Units Issued: 4,690,954 units (2013: nil units)	213,488	-
Units Redeemed: 4,517,677 units (2013: nil units)	210,253	-
<b>AI Meezan Mutual Fund</b>		
Bonus units received: nil units (2013: 1,586,565 units)	-	16,960
Units Redeemed: nil units (2013: 10,066,755 units)	-	113,855
<b>Meezan Bank Limited</b>		
Profit on saving accounts	14,095	877
Bonus units issued: 8,091,584 units (2013: 2,223,391 units)	376,481	92,071
Bonus shares received: nil shares (2013: 998,053 shares)	-	-
Shares purchased during the year: 8,204,000 (2013: nil shares)	319,194	-
Shares disposed off during the year: 4,126,236 (2013: 5,473,500 shares)	160,835	154,699
Dividend Income	14,857	18,538
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	13,171	8,038
CDS charges	831	203
<b>AI Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Bonus units issued: 45,806 units (2013: 12,478 units)	2,132	517
<b>Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan</b>		
Units Issued: 1,910,183 units (2013: 3,412,861 units)	95,048	198,781
Bonus units issued: 1,744,688 units (2013: nil units)	80,719	-
Units Redeemed: 2,059,955 units (2013: 453,894 units)	103,882	27,127
Transaction Cost received from the Fund	238	498
<b>Meezan Financial Planning Fund of Funds - Moderate Allocation Plan</b>		
Units Issued: 1,751,878 units (2013: 1,461,179 units)	89,572	86,273
Bonus units issued: 786,497 units (2013: nil units)	36,615	-
Units Redeemed: 1,237,989 units (2013: 260,411 units)	61,439	15,958
Transaction Cost received from the Fund	224	216
<b>Meezan Financial Planning Fund of Funds - Conservative Allocation Plan</b>		
Units Issued: 1,129,793 units (2013: 1,209,988 units)	55,494	70,065
Bonus units issued: 647,039 units (2013: nil units)	30,032	-
Units Redeemed: 1,122,355 units (2013: 174,951 units)	56,275	10,957
Transaction Cost received from the Fund	139	176

For the year ended  
June 30  
2014                      2013  
(Rupees in '000)

### Meezan Capital Preservation Fund-III

Units Issued: 46,067,762 units (2013: nil units)  
Bonus units issued: 4,981,724 units (2013: nil units)  
Units Redeemed: 7,696,467 units (2013: nil units)  
Transaction Cost received from the Fund

2,503,899	-
246,296	-
427,000	-
6,275	-
998	-
3	-
19,418	13,946
73,994	27,040
40,056	69,555

### Meezan Capital Preservation Fund-II

Units Issued: 19,855 units (2013: nil units)  
Transaction Cost received from the Fund

### Directors and executives of the Management Company

Units issued: 366,559 units (2013: 251,426 units)  
Bonus units issued: 1,594,584 units (2013: 652,974 units)  
Units Redeemed: 826,634 units (2013: 1,432,955 units)

## 16. FINANCIAL INSTRUMENTS BY CATEGORY

2014

	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	1,698,950	-	-	-	1,698,950
Investments	-	10,611,206	4,686,690	-	15,297,896
Dividend receivable	15,254	-	-	-	15,254
Deposits and other receivables	27,335	-	-	-	27,335
	<u>1,741,539</u>	<u>10,611,206</u>	<u>4,686,690</u>	<u>-</u>	<u>17,039,435</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	82,432	82,432
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	1,405	1,405
Payable to Meezan Bank Limited	-	-	-	2,804	2,804
Payable against purchase of investments	-	-	-	178,972	178,972
Payable on redemption and conversion of units	-	-	-	20,228	20,228
Accrued expenses and other liabilities	-	-	-	14,309	14,309
	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,150</u>	<u>300,150</u>

**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>					
<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>

## 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, 2008 and the directives issued by the Securities and Exchange Commission of Pakistan (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 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, 2014 along with comparative is tabulated below:

	2014	2013
	(Rupees in '000)	
<b>Financial assets</b>		
Balances with banks	1,698,950	786,424
Dividend receivable	15,254	7,849
Deposits and other receivables	27,335	22,411
	<b>1,741,539</b>	<b>816,684</b>

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

	2014	2013
	..... (%) .....	
AAA	0.15	0.71
AA+	7.56	44.38
AA	14.46	6.96
A	77.83	47.95
	<b>100.00</b>	<b>100.00</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 June 30, 2014.

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. However, no such borrowing has been obtained during the year.

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

In addition to Unitholders' Fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2014 along with comparative is tabulated below:

	<b>2014</b>				<b>Total</b>
	<b>Maturity upto</b>				
	<b>Three months</b>	<b>six months</b>	<b>one year</b>	<b>More than one year</b>	
----- <b>(Rupees in '000)</b> -----					
Payable to Al Meezan Investment Management Limited - Management Company	<b>82,432</b>	-	-	-	<b>82,432</b>
Payable to Central Depository Company of Pakistan Limited - Trustee	<b>1,405</b>	-	-	-	<b>1,405</b>
Payable to Meezan Bank Limited	<b>2,804</b>	-	-	-	<b>2,804</b>
Payable on redemption and conversion of units	<b>20,228</b>	-	-	-	<b>20,228</b>
Payable against purchase of investments	<b>178,972</b>	-	-	-	<b>178,972</b>
Accrued expenses and other liabilities	<b>14,309</b>	-	-	-	<b>14,309</b>
	<b>300,150</b>	-	-	-	<b>300,150</b>
<b>2013</b>					
<b>Maturity upto</b>					
	<b>Three months</b>	<b>six months</b>	<b>one year</b>	<b>More than one year</b>	<b>Total</b>
----- <b>(Rupees in '000)</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 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
	<b>171,062</b>	-	-	-	<b>171,062</b>

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

### 17.3 Market risk

#### 17.3.1 Price risk

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unit holders from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the 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, 2014, 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 152.98 million (2013: Rs 88.79 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, 2014 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, 2014 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, 2014, the net income would have increased / (decreased) by Rs 16.966 million (2013: Rs 7.780 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 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 requirements 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 and all existing Open End Schemes shall ensure compliance with this minimum scheme size limit by the first day of July, 2012.

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



The following table presents assets that are measured at fair value as at June 30, 2014:

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Assets</b>				
Financial assets - Held for trading (Equity securities)	10,366,703	-	-	10,366,703
Financial assets 'at fair value through initial recognition' (Equity securities)	244,503	-	-	244,503
Financial assets available for sale (Equity securities)	4,686,690	-	-	4,686,690
	<u>15,297,896</u>	<u>-</u>	<u>-</u>	<u>15,297,896</u>

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

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)	4,208,036	-	-	4,208,036
	<u>8,878,719</u>	<u>-</u>	<u>-</u>	<u>8,878,719</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 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, 2014 as reduced by capital gains (whether realised or unrealised) to its unitholders.

	2014	2013	2012	2011
<b>21. PERFORMANCE TABLE</b>				
Net assets (Rs. '000) (ex-distribution)	<b>16,621,765</b>	9,474,454	5,342,232	4,496,277
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>50.24</b>	44.92	41.41	41.57
Offer price per unit as at June 30, (Rs.) (ex-distribution)	<b>51.72</b>	46.26	42.36	42.53
Highest offer price per unit (Rs.)	<b>59.29</b>	66.85	53.60	53.85
Lowest offer price per unit (Rs.)	<b>45.76</b>	43.73	40.10	38.31
Highest redemption price per unit (Rs.)	<b>57.60</b>	65.32	52.39	52.64
Lowest redemption price per unit (Rs.)	<b>44.45</b>	42.75	39.20	37.45
Distribution (%)	-	35.00	16.50	20.00
Date of distribution	<b>May 30, 2014</b>	July 8, 2013	July 9, 2012	July 7, 2011
Income distribution (Rupees in '000)	<b>1,293</b>	1,859	927	808
Growth distribution (Rupees in '000)	<b>2,068,741</b>	2,655,025	886,753	871,260
Total return (%)	<b>28.87</b>	50.74	19.46	38.74

	One Year	Two Year	Three Year	Four Year
Average annual return as at June 30, 2014	28.87%	39.38%	32.39%	33.95%

### 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 four years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Eighteen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Ten years
Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Seven years
Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA Level II / BBA	Five Years
Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Seven 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 08, 2013	August 23, 2013	October 25, 2013	February 11, 2014	April 29, 2014
Mr. Ariful Islam	Chairman	No	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	No	Yes	No
Mr. Salman Sarwar Butt	Director	Yes	Yes	Yes	-----Resigned-----	
Mr. Tasnimul Haq Farooqui	Director	Yes	No	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	No	Yes	Yes	Yes
Mr. Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Mr. Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes

## 24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

		<b>2014</b>
		<b>%</b>
<b>Broker's Name</b>		
1.	Fortune Securities Limited	11.83
2.	Shajar Capital Pakistan (Private) Limited	11.09
3.	JS Global Capital Limited	8.84
4.	Optimus Capital Management (Private) Limited	8.78
5.	Elixir Securities Pakistan (Private) Limited	7.74
6.	Standard Capital Securities (Private) Limited	6.28
7.	Foundation Securities (Private) Limited	5.57
8.	Global Securities Pakistan Limited	5.01
9.	Top Line Securities (Private) Limited	4.82
10.	Ample Securities (Private) Limited	4.68
		<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

### As at June 30, 2014

## 25. PATTERN OF UNITHOLDING

	Number of investors	Investment amount  (Rupees in '000)	Percentage of total investment  %
Individuals	7,133	8,201,465	49.34
Associated companies / directors	11	3,880,893	23.35
Insurance companies	12	1,311,884	7.89
Banks / DFIs	2	70,457	0.42
Retirement funds	230	2,620,588	15.77
Public limited companies	-	-	-
Others	139	536,478	3.23
<b>Total</b>	<b>7,527</b>	<b>16,621,765</b>	<b>100.00</b>

As at June 30, 2013

	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	%
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
Total	<u>5,603</u>	<u>9,476,313</u>	<u>100.00</u>


## 26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28 August, 2014 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, 2014

Units held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	200,089	0.06
Meezan Bank Limited	21,475,049	6.49
Al Meezan Investment Management Limited - Employees Gratuity Fund	120,915	0.04
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan	4,553,883	1.38
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan	2,501,604	0.76
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan	1,689,514	0.51
Meezan Capital Preservation Fund-III	43,353,018	13.1
Meezan Capital Preservation Fund-II	19,855	0.01
<b>Directors</b>		
Mr. Ariful Islam	713,599	0.21
Syed Amir Ali	55,889	0.02
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	2,686,224	0.81
<b>Executives</b>	428,422	0.13
<b>Public Limited Companies</b>	-	-
<b>Banks and financial institutions</b>	1,402,434	0.42
<b>Individuals</b>	163,249,222	49.34
<b>Retirement Funds</b>	52,162,496	15.77
<b>Other Corporate Sector Entities</b>	4,636,824	1.4
<b>Insurance Companies</b>	26,112,898	7.89
<b>Non-Profit Organisations</b>	5,492,400	1.66
	<b>330,854,335</b>	<b>100.00</b>

# Al Meezan Mutual Fund (AMMF)

The objective of Al Meezan Mutual Fund is to optimize the total investment returns, both capital gains and dividend income, through prudent investment management.





# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Moin M. Fudda	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Mazhar Sharif	Non-Executive	
Syed Amir Ali	Non-Executive	
Syed Amir Ali Zaidi	Non-Executive	
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. Ariful Islam	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 Bank (Pakistan) Limited	Habib Metropolitan Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking	MCB Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking	Meezan Bank Limited - Islamic Banking
BankIslami Pakistan Limited	National Bank of Pakistan - Islamic Banking
Burj Bank Limited	UBL Ameen
Dubai Islamic Bank Limited	

## LEGAL ADVISER

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

## TRANSFER AGENT

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

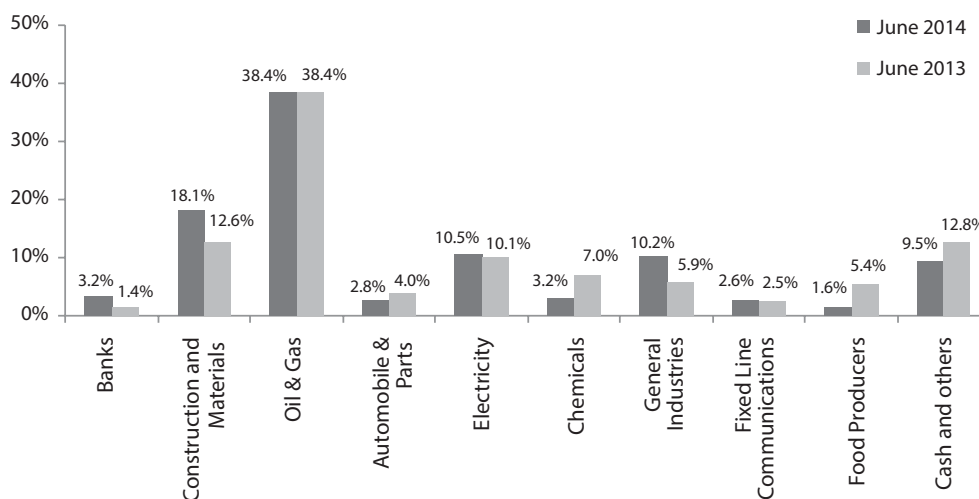
The objective of AMMF is to provide maximum total return to the shareholders from investment in "Shariah compliant" equity investments for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

### Strategy, Investment Policy and Asset Allocation

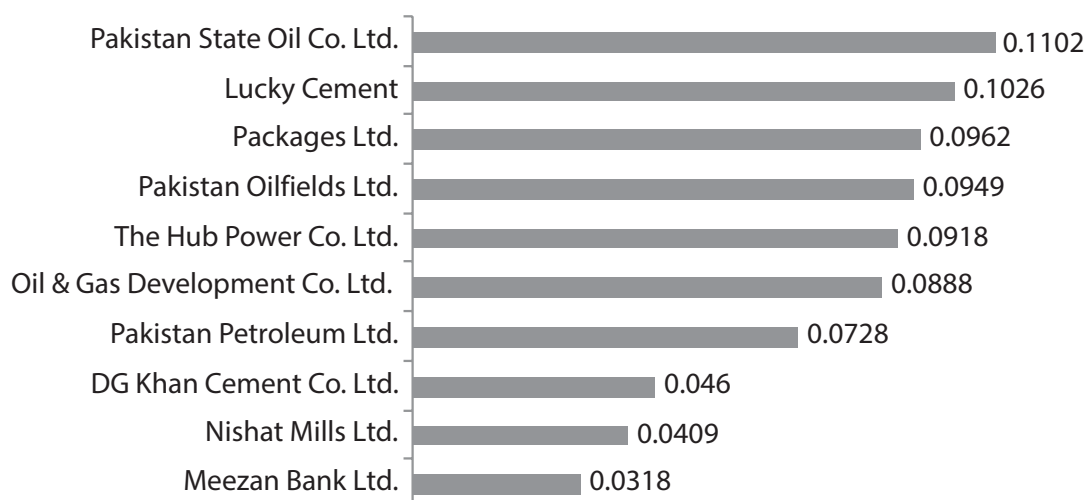
The performance of AMMF is directly linked to the performance of the equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced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

AMMF remained on average 91.35% invested in equities. Beginning and ending exposures were 92.80% and 96.72% respectively. Although allocation remained diversified across sectors, major holdings remain concentrated in Oil & Gas, Construction and General Industrials sectors. However, it reduced exposure in Chemical sector due to weak outlook.

### Sector Allocation for the year ended FY13 and FY14



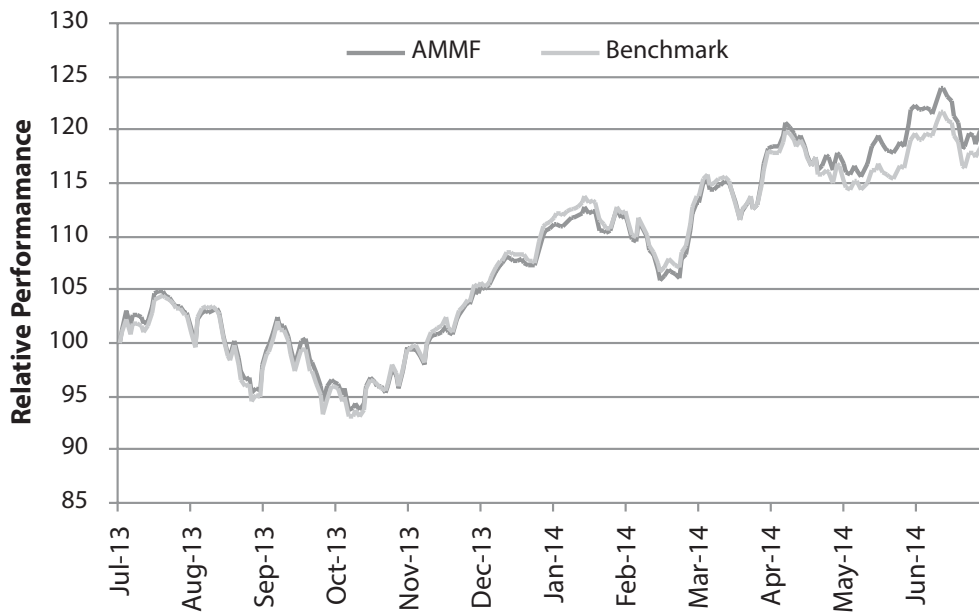
## Top Holdings



## Performance Review

During the fiscal year 2014, Al Meezan Mutual Fund (AMMF) provided a return of 29.86% to its investors while the KSE Meezan Index (KMI 30) appreciated by 29.89% to close at 47,687. AMMF posted a total income of Rs. 716.23 million in the fiscal year 2014 as compared to Rs. 791.51 million last year. Total income comprised of realized gains and unrealized gain on investments of Rs. 378.63 million and Rs. 198.63 million respectively. Dividend income contributed Rs. 120.13 million to the income, while profit on savings account at banks amounted to Rs. 16.16 million. After accounting for expenses of Rs. 94.08 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 29.97 million, the Fund posted a net profit of Rs. 652.12 million. The net assets of the Fund as at June 30, 2014 were Rs. 2,847.05 million as compared to Rs. 2,190.13 million at the end of year depicting a rise of 30%. The net asset value per unit as at June 30, 2014 was Rs. 13.90 as compared to Rs.16.09 per unit as on June 30, 2013.

	<b>AMMF (NAV)</b>	<b>KMI-30 (Index Points)</b>
Net Asset Value (NAV) as on June 30, 2013 -Rs.	12.59	36,713
Net Asset Value (NAV) as on June 30, 2014- Rs. (Dividend Adjusted)	13.90	47,687
Return During the Period	29.86%	29.89%



### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable / welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2014 an amount of Rs. 2.25 million was accrued as charity payable.

### Distributions

The Board of Directors in its meeting held on August 28, 2014 approved NIL distribution for the year ended June 30, 2014. The interim distribution by the Fund during the fiscal year ended June 30, 2014 was Rs. 2.4 per unit (24%). Total distribution made by the fund was Rs. 476 million.

### Breakdown of unit holdings by size:

(As on June 30, 2014)

Range (Units)	No. of investors
1 - 9,999	1,266
10,000 - 49,999	576
50,000 - 99,999	147
100,000 - 499,999	135
500,000 and above	31
<b>Total</b>	<b>2,155</b>



**Meezan Bank**  
The Premier Islamic Bank

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

August 28, 2014/ Zul Qad 02, 1435

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

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

- i. We have reviewed and approved the modes of investments of AMMF in light of *Shari'ah* requirements. Following is the list of the top investments of AMMF as on June 30, 2014 and their evaluation according to the screening criteria established by us. (December 31, 2013 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
DG Khan Cement Co Ltd	Cement Manufacturer	14.08	30.26	4.88	65.24	17.19	85.73
Meezan Bank Ltd	Islamic Banking	0.00	0.00	0.00	0.48	-138.76	39.38
The Hub Power Co. Ltd	Power Generation and Distribution	33.01	0.00	0.09	51.76	-35.00	60.72
Lucky Cement	Cement Manufacturer	12.13	0.06	0.01	79.80	-42.49	299.87
Oil and Gas Development Co.***	Oil & Gas Distribution	0.00	41.49	6.01	34.65	44.55	276.36
Pakistan Oilfields Limited	Oil & Gas Exploration and Production	0.00	0.01	0.88	74.85	-30.43	497.71

Page 1 of 2

**Meezan Bank Ltd.**

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



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Pakistan State Oil Company Limited	Oil & Gas Distribution	27.06	12.74	1.05	31.51	-136.47	332.22
Packages Ltd	General Industries	14.18	17.00	2.97	71.40	41.52	272.63
Pakistan Petroleum	Exploration and Production of Oil & Gas	0.00	0.29	0.04	0.44	41.32	213.96
Nishat Mills	Personal Goods	0.27	0.20	0.01	0.67	-4.22	127.24

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

\*\* All interest based debts.

\*\*\* On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and 'Non Compliant Investments to Total Investments' ratio.

- ii. On the basis of information provided by the management, all operations of AMMF for the year ended June 30, 2014 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 2.25 million was created and an amount of Rupees 2.25 million was available for disbursement as of June 30, 2014.

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

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL MEEZAN MUTUAL FUND**

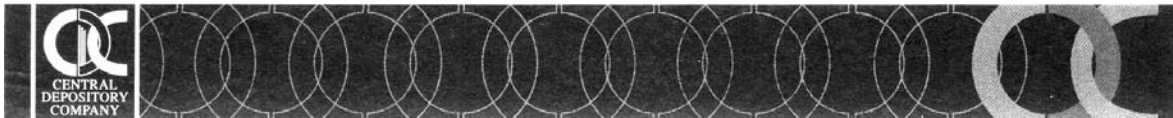
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2014 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 19, 2014



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

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. Moin M. Fudda
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. Two casual vacancies occurred on the board on February 11, 2014 & April 29, 2014, which were filled up by the directors within 30 days. As required under clause (xi) of CCG regulation 35, all the relevant documents were circulated to the director and orientation will be conducted in forthcoming board of directors meeting. Further, as required under clause (v) of CCG regulation 35, mechanism for annual evaluation has been put in place and annual board's performance evaluation will be carried out in forthcoming year.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, 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' as at June 30, 2014.

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 unitholding.
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 CEO. All the other members, including chairman of the committee, are non-executive directors.
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 28, 2014





**KPMG Taseer Hadi & Co.**  
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Sheikh Sultan Trust Building No. 2  
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### **Review Report to the Unitholders' of Al Meezan Mutual Fund ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") of the Fund for the year ended 30 June 2014 to comply with the requirements of 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 and report if it does not and to highlight any non-compliance with the requirements of Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2014.

**Date: 28 August 2014**

**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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## **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 2014, 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 2014, and of its financial performance, cash flows and transactions for the year then ended 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: 28 August 2014**

**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, 2014

	Note	2014 (Rupees in '000)	2013
<b>Assets</b>			
Balances with banks	4	84,389	199,155
Investments	5	2,792,828	2,031,950
Receivable against sale of investments		77,846	15
Dividend receivable		2,515	1,868
Deposits and other receivables	6	6,075	7,150
<b>Total assets</b>		<b>2,963,653</b>	<b>2,240,138</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	14,339	6,214
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	310	257
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	2,346	1,742
Payable on redemption and conversion of units		24,656	695
Accrued expenses and other liabilities	10	28,404	14,396
Payable against purchase of investments		41,724	21,931
Unclaimed dividend		4,824	4,776
<b>Total liabilities</b>		<b>116,603</b>	<b>50,011</b>
<b>Net assets</b>		<b>2,847,050</b>	<b>2,190,127</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund (as per statement attached)</b>		<b>2,847,050</b>	<b>2,190,127</b>
<b>Number of units</b>			
<b>Number of units in issue</b>	12	<b>204,777,286</b>	<b>136,128,843</b>
<b>Rupees</b>			
<b>Net assets value per unit</b>		<b>13.90</b>	<b>16.09</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 YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>Income</b>			
Net realised gain on sale of investments		378,628	437,063
Dividend income		120,127	123,184
Profit on saving accounts with banks		16,160	8,099
Back end load		-	38
Other income		2,685	1,217
		<b>517,600</b>	<b>569,601</b>
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)		198,627	230,105
Impairment loss on 'available for sale' investments	5.2.3	-	(8,200)
		<b>198,627</b>	<b>221,905</b>
<b>Total income</b>		<b>716,227</b>	<b>791,506</b>
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - Management Company	7.1	49,414	36,779
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	16,878	6,232
Remuneration to Central Depository Company of Pakistan Limited - Trustee	8	3,479	2,830
Annual fee to Securities and Exchange Commission of Pakistan	9	2,346	1,742
Auditors' remuneration	13	822	559
Fees and subscription		291	25
Charity expense		2,247	2,214
Brokerage		3,875	2,485
Bank and settlement charges		1,247	871
Printing expenses		176	350
Provision for Workers' Welfare Fund (WWF)	10.2	13,307	10,057
<b>Total expenses</b>		<b>94,082</b>	<b>64,144</b>
<b>Net income from operating activities</b>		<b>622,145</b>	<b>727,362</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (net)		29,973	(16,506)
<b>Net income for the year before taxation</b>		<b>652,118</b>	<b>710,856</b>
<b>Taxation</b>	19	-	-
<b>Net income for the year after taxation</b>		<b>652,118</b>	<b>710,856</b>
<b>Other comprehensive income for the year</b>			
<b>Items can be reclassified to income statements in subsequent periods</b>			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale' (net)	5.2.3	34,686	41,743
<b>Total comprehensive income for the year</b>		<b>686,804</b>	<b>752,599</b>

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


## DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Undistributed income brought forward		
- Realised	451,455	222,733
- Unrealised	230,105	30,090
	<b>681,560</b>	252,823
Less: Final distribution on July 08, 2013 for the year ended June 30, 2013		
- bonus units @ 35% (Rs. 3.5 per unit) (June 30, 2012 @ Rs. 2 per unit)	(418,364)	(264,971)
- cash dividend @ 35% (Rs. 3.5 per unit)	(59)	-
Less: Interim distribution on May 30, 2014 for the year ended June 30, 2014		
- bonus units @ 24% (Rs. 2.4 per unit)	(476,445)	-
- cash dividend @ 24% (Rs. 2.4 per unit)	(10)	-
Net income for the year	<b>652,118</b>	710,856
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed pertaining to 'available for sale' investments (net)	715	(17,148)
Undistributed income carried forward	<b>439,515</b>	681,560
Undistributed income carried forward		
- Realised	240,888	451,455
- Unrealised	198,627	230,105
	<b>439,515</b>	681,560

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 UNIT HOLDERS' FUND

## FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Net assets at beginning of the year	2,190,127	1,680,705
Issue of 80,333,689 units (June 30, 2013 : 48,069,369 units)	1,121,848	636,457
Redemption of 80,177,465 units (June 30, 2013 : 69,213,439 units)	(1,121,687)	(896,140)
	161	(259,683)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(29,973)	16,506
Issue of 68,492,219 bonus units for the year ended June 30, 2014 (June 30, 2013 : 24,786,905 units)	894,809	264,971
Net realised gain on sale of investments	378,628	437,063
Unrealised appreciation in value of investments (net)	233,313	263,648
Other net income for the year	74,863	51,888
Total comprehensive income for the year	686,804	752,599
Issue of 30,649,380 bonus units and cash distribution for the year ended June 30, 2014	(418,423)	-
Issue of 37,842,839 bonus units and cash distribution for the year ended June 30, 2013 (June 30, 2012 : 24,786,905 units)	(476,455)	(264,971)
	(894,878)	(264,971)
Net assets at end of the year	2,847,050	2,190,127
	(Rupees)	
Net assets value per unit at beginning of the year	16.09	12.69
Net assets value per unit at end of the year	13.90	16.09

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director


# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2014

Note	2014	2013
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	652,118	710,856
<b>Adjustments for:</b>		
Unrealised gain on re-measurement of investments at 'fair value through profit or loss' (net)	(198,627)	(230,105)
Impairment loss on 'available for sale' investments	-	8,200
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(29,973)	16,506
	<b>423,518</b>	<b>505,457</b>
<b>(Increase) / decrease in assets</b>		
Investments (net)	(527,565)	(257,328)
Receivable against sale of investments	(77,831)	10,433
Dividend receivable	(647)	1,201
Deposits and other receivables	1,075	314
	<b>(604,968)</b>	<b>(245,380)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	8,125	2,729
Payable to Central Depository Company of Pakistan Limited - Trustee	53	37
Payable to Securities and Exchange Commission of Pakistan	604	249
Payable to Meezan Bank Limited	-	(12)
Payable against purchase of investments	19,793	21,288
Accrued expenses and other liabilities	14,008	10,616
	<b>42,583</b>	<b>34,907</b>
<b>Net cash (used in) / inflow from operating activities</b>	<b>(138,867)</b>	<b>294,984</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units	1,121,848	636,457
Payment against redemption of units	(1,097,726)	(895,545)
Dividend paid	(21)	(22)
<b>Net cash inflow from / (used in) financing activities</b>	<b>24,101</b>	<b>(259,110)</b>
Net (decrease) / increase in cash and cash equivalents during the year	<b>(114,766)</b>	<b>35,874</b>
Cash and cash equivalents at beginning of the year	<b>199,155</b>	<b>163,281</b>
Cash and cash equivalents at end of the year	<b>84,389</b>	<b>199,155</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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

## 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. The fund is categorized as an Equity Scheme.
- 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 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 NBFC Rules 2003, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules 2003, 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); and
- b) Impairment of financial instruments (note 3.1.6)
- c) Recognition of provision for Workers' Welfare Fund (note 10.2)

## 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, 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 01, 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.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 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.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 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.

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after January 01, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a fund can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 ‘Share-Based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
  - IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
  - IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
  - Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 'Related Party Disclosure': The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property': IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- These interpretations will not likely have an impact on Fund's financial statements.

### **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 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 through other comprehensive income.

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

### 3.1.7 Derecognition

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

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

### 3.1.8 Offsetting of financial instruments

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

### 3.2 Provisions

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

### 3.3 Net assets value per unit

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

### 3.4 Taxation

#### *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% 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 has availed 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 has availed 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) Dividend income is recognised when the Fund's right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (iii) Profit on bank deposit is recognised on time proportion basis using effective yield method.

### **3.6 Expenses**

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

### **3.7 Earnings per unit**

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

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

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

### **3.9 Unitholders' Fund**

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

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

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

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

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

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

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

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

### 3.12 Distribution

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

	Note	2014 (Rupees in '000)	2013
<b>4. BALANCES WITH BANKS</b>			
On current accounts		4,394	6,299
On saving accounts	4.1	79,995	192,856
		<b>84,389</b>	<b>199,155</b>
<b>4.1</b>			
The balances in saving accounts have an expected profit ranging from 3.72% to 9.20% per annum (2013: 5.65% to 9.40% per annum).			
<b>5. INVESTMENTS</b>			
Investment 'at fair value through profit or loss'			
- Held for trading	5.1	1,658,134	1,163,074
Investment - 'available for sale'	5.2	1,134,694	868,876
		<b>2,792,828</b>	<b>2,031,950</b>

## 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, 2013	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market Value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage in relation to total market value of investment
	Number of shares					Rupees in '000			%
<b>Sector / Companies</b>									
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	792,712	1,928,000	-	900,000	1,820,712	67,509	78,728	11,219	2.82
<b>Construction and materials (Cement)</b>									
Attock Cement Pakistan Limited	975	-	146	-	1,121	129	177	48	0.01
DG Khan Cement Company Limited	51,805	815,000	-	534,000	332,805	29,374	29,274	(100)	1.05
Fauji Cement Company Limited	-	4,186,000	-	1,140,000	3,046,000	48,439	58,605	10,166	2.10
Cherat Cement Company Limited	-	330,000	28,000	-	358,000	27,474	23,435	(4,039)	0.84
Lucky Cement Company Limited	665,190	1,378,400	-	2,001,700	41,890	16,318	17,187	869	0.62
Pioneer Cement Limited	-	232,000	-	-	232,000	10,872	10,825	(47)	0.39
									5.01
<b>Oil &amp; gas</b>									
Attock Refinery Limited	500	85,000	-	85,000	500	103	106	3	-
Attock Petroleum Limited	-	12,000	-	-	12,000	6,234	7,078	844	0.25
National Refinery Limited	-	68,100	-	-	68,100	14,983	14,667	(316)	0.53
Pakistan State Oil Company Limited	30,861	603,200	10,920	197,861	447,120	165,743	173,863	8,120	6.23
Pakistan Oilfields Limited	242,751	295,000	-	92,000	445,751	232,751	255,995	23,244	9.17
Pakistan Petroleum Limited	849,883	303,800	206,736	467,000	893,419	164,376	200,430	36,054	7.18
Oil and Gas Development Company Limited (note 5.1.3)	395,900	195,000	-	181,200	409,700	98,173	107,046	8,873	3.83
Mari Petroleum Company Limited	-	75,000	-	-	75,000	26,020	28,007	1,987	1.00
									28.19
<b>Automobile and Parts</b>									
Indus Motor Company Limited	97,264	-	-	25,000	72,264	22,474	38,872	16,398	1.39
Pak Suzuki Motor Company Limited	50,689	15,000	-	-	65,689	9,804	17,992	8,188	0.64
Agriaautos Industries Limited (note 5.1.2)	6,460	-	-	-	6,460	485	623	138	-
									0.02
									2.05
<b>Fixed Line and telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	2,561,170	2,307,500	-	1,912,000	2,956,670	71,867	75,306	3,439	2.70
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	803,185	50,000	-	472,000	381,185	14,332	15,160	828	0.54
Fauji Fertilizer Company Limited	1,110,200	89,201	-	892,000	307,401	33,167	34,506	1,339	1.24
Sitara Chemical Industries Limited	-	500	-	-	500	107	148	41	0.01
ICI Pakistan Limited	1,521	78,300	-	78,699	1,122	442	438	(4)	0.02
									1.81
<b>General Industrials</b>									
Packages Limited	504,000	73,700	-	425,000	152,700	36,510	76,590	40,080	2.74
Thal Limited (note 5.1.2)	85,613	-	-	30,000	55,613	7,090	11,534	4,444	0.41
Tri-Pack Films Limited	16,428	-	-	16,428	-	-	-	-	-
									3.15
<b>Food producers</b>									
Engro Foods Limited	854,000	2,050,900	-	2,472,400	432,500	44,207	44,344	137	1.59
<b>Electricity</b>									
Hub Power Company Limited	320,000	4,630,000	-	3,016,500	1,933,500	111,497	113,574	2,077	4.07
Pakgen Power Limited	-	615,000	-	510,000	105,000	1,839	1,894	55	0.07
Kohinoor Energy Limited	150,000	44,000	-	50,000	144,000	5,303	5,964	661	0.21
K-Electric Limited (formerly Karachi Electric Supply Company Limited.)	-	3,528,500	-	75,000	3,453,500	30,407	29,320	(1,087)	1.05
									5.40
<b>Pharma and Bio Tech</b>									
Abbot Laboratories Limited	-	96,200	-	-	96,200	39,256	55,057	15,801	1.97
Ferozsons Laboratories Limited	-	5,500	-	-	5,500	820	1,268	448	0.05
									2.02



Name of the investee company	As at July 1, 2013	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market Value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage in relation to total market value of investment
	Number of shares					Rupees in '000			%
<b>Multiutilities (Gas and Water)</b>									
Sui Northern Gas Pipeline Limited	-	600,000	-	-	600,000	13,856	13,590	(266)	0.49
<b>Personal Goods</b>									
Nishat Mills Limited	826,500	784,000	-	569,300	1,041,200	107,546	116,531	8,985	4.17
<b>Total</b>						<b>1,459,507</b>	<b>1,658,134</b>	<b>198,627</b>	
<b>Total cost of investments - 'held for trading'</b>						<b>1,459,507</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.

**5.1.3** 280,000 shares (2013: 190,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 52.25 million (2013: Rs 43.51 million) as at June 30, 2014, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

## 5.2 Available for sale

### 5.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2013	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market Value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage in relation to total market value of investment
	Number of shares					Rupees in '000			%
<b>Sector / Companies</b>									
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	299,706	-	-	-	299,706	4,130	12,959	8,829	0.46
BankIslami Pakistan Limited	500	-	-	-	500	2	5	3	-
									0.46
<b>Construction and materials (Cement)</b>									
Lucky Cement Company Limited	25,127	680,000	-	25,000	680,127	238,174	279,056	40,882	9.99
D.G. Khan Cement Company Limited	1,600,000	-	-	422,500	1,177,500	97,139	103,573	6,434	3.71
									13.70
<b>Electricity</b>									
Hub Power Company Limited	3,242,500	-	-	662,000	2,580,500	157,902	151,579	(6,323)	5.43
<b>Oil and gas</b>									
Pakistan State Oil Company Limited Oil & Gas Development Company Limited	567,000	-	56,286	252,139	371,147	101,077	144,320	43,243	5.17
Pakistan Oilfields Limited	671,663	-	-	100,000	571,663	81,808	149,364	67,556	5.35
Pakistan Petroleum Limited	231,340	-	-	200,000	31,340	8,089	17,998	9,909	0.64
Attock Petroleum Limited	35,927	-	7,185	-	43,112	4,271	9,672	5,401	0.35
	200	-	40	-	240	83	142	59	0.01
									11.52
<b>Automobile and parts</b>									
Agriautos Industries Limited (note 5.2.2)	621,500	-	-	463,500	158,000	10,539	15,247	4,708	0.55
Indus Motor Company Limited	16,200	-	-	-	16,200	3,961	8,714	4,753	0.31
									0.86
<b>Chemicals</b>									
Fauji Fertilizer Company Limited	5,457	-	-	-	5,457	428	613	185	0.02
Fauji Fertilizer Bin Qasim Limited	110,500	-	-	-	110,500	4,148	4,395	247	0.16
ICI Pakistan Limited	12,857	360,000	-	281,300	91,557	34,618	35,738	1,120	1.28
									1.46
<b>General Industries</b>									
Packages Limited	1,378	400,000	-	-	401,378	206,029	201,319	(4,710)	7.21
Tri-Pack Films Limited	20,400	-	-	20,400	-	-	-	-	-
									7.21
<b>Total cost of investments - 'available for sale'</b>						<b>952,398</b>	<b>1,134,694</b>	<b>182,296</b>	
						<b>952,398</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 Net unrealised appreciation on re-measurement of investments classified as 'available for sale'**

	Note	2014 (Rupees in '000)	2013
Market value of investments		1,134,694	868,876
Less: Cost of investments		952,398	721,266
		182,296	147,610
Less: Net unrealised diminution on re-measurement of investments classified as 'available for sale' at beginning of the year (net of impairment)		147,610	114,067
		34,686	33,543
Impairment loss on listed equity securities classified as 'available for sale' - transferred to income statement		-	8,200
		34,686	41,743
<b>6. DEPOSITS AND OTHER RECEIVABLES</b>			
Security deposits		2,738	2,738
Profit receivable on saving accounts with banks		3,337	4,412
		6,075	7,150
<b>7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - Management Company</b>			
Management fee	7.1	4,563	3,668
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	8,472	934
Sales load		306	1,324
Sindh Sales Tax and Federal Excise Duty on sales load	7.2 & 7.3	998	288
		14,339	6,214

**7.1** Under the provisions of NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding 3% 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 2% of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of 2% 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** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and the Honourable High Court Sindh in a Constitutional petition relating to levy of Federal Excise Duty (FED) on Mutual Fund has granted stay order for the recovery of Federal Excise Duty (FED). As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 7.20 million had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2014 would have been higher by Rs. 0.04 per unit.

## 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, 2014 and 2013 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	2014 (Rupees in '000)	2013
Auditors' remuneration		615	448
Withholding tax payable		524	77
Charity payable	10.1 & 10.1.1	2,248	1,928
Performance rating fee		-	25
Zakat payable		9	44
Printing charges payable		588	476
Brokerage payable		1,056	1,341
Workers' Welfare Fund payable (WWF)	10.2	23,364	10,057
		<b>28,404</b>	<b>14,396</b>

**10.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 2.248 million is outstanding in this regard after making charity payments of Rs 2 million to renowned charitable institutions. None of the directors of the Management Company of the Fund were interested in any of donees.

**10.1.1** As per the requirement of Clause 3.3.2 of Offering document, following is the list of charitable /welfare organizations to whom charity payments were made in excess of Rs. 200,000 during the year ended June 30, 2014.

- Jan Mohammad Dawood Trust
- Hira Foundation

## 10.2 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.

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. However, decisions of SHC ( in against) and LHC ( in favour) are pending before Supreme Court therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2014 amounting to Rs. 23.364 million which includes Rs. 13.307 million pertaining to the current year and Rs. 10.057 million pertaining to prior years. . Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 0.18 (1.12%).

The Board of Directors of the Management Company in its meeting held on October 25, 2013 have resolved that unrecorded accumulated WWF provision in the fund from the date of its application till December 31, 2012, in case is required to be paid, shall be borne by Al Meezan Investment Management Limited (Management Company of the Fund). Therefore, the Fund is not exposed to this unrecorded accumulated WWF provision. The unrecorded accumulated provision for WWF up to December 31, 2012 is Rs. 24.534 million.

## 11. CONTINGENCIES AND COMMITMENTS

There are no Contingencies and Commitments outstanding as at June 30, 2014.

## 12. NUMBER OF UNITS IN ISSUE

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

	2014	2013
	(Number of units)	
Total units in issue at the beginning of the year	136,128,843	132,486,008
Add: units issued during the year	80,333,689	48,069,369
Add: bonus units issued during the year	68,492,219	24,786,905
Less: units redeemed during the year	(80,177,465)	(69,213,439)
Total units in issue at the end of the year	<u>204,777,286</u>	<u>136,128,843</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**

	2014	2013
	(Rupees in '000)	
Statutory Audit fee	675	400
Half yearly review	110	100
Other certifications and services	-	50
Out of pocket expenses	37	9
	<b>822</b>	<b>559</b>

**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 Tahaffuz Pension Fund, Meezan Islamic Income Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - II, KSE Meezan Index Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Financial Planning Fund of Funds, Meezan Capital Preservation Fund - III and Meezan Capital Preservation Fund - II 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 unit holders holding 10% or more of the Fund.

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

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

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

	2014	2013
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	4,563	3,668
Sales load payable	306	1,324
Sindh Sales Tax and Federal Excise Duty on management fee payable	8,472	934
Sindh Sales Tax and Federal Excise Duty on sales load payable	998	288
Investments of 34,052,779 units (June 30, 2013: 28,356,964 units)	473,334	456,264
<b>Meezan Bank Limited - Shariah Advisor</b>		
Balances with bank	60,089	4,889
Profit receivable on saving accounts	364	100
Investments in 2,120,419 shares (June 30, 2013 : 1,092,418 shares)	91,687	31,680
Investments of 9,921,033 units (June 30, 2013 : 6,602,132 units)	137,902	106,228
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	310	257
Deposits	238	238
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investments of 16,895,690 units (June 30, 2013 : 16,895,690 units)	234,850	271,852
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Investments of 517,741 units (June 30, 2013 : 344,540 units)	7,197	5,544
<b>Directors and officers of the Management Company</b>		
Investments of 7,657,744 units (June 30, 2013 : 2,038,825 units)	106,443	32,805
<b>Unit Holders holding 10% or more units of the Fund</b>	<b>320,859</b>	<b>247,163</b>

	<b>Year ended June 30, 2014</b>	Year ended June 30, 2013
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year	49,414	36,779
Sindh Sales Tax and Federal Excise Duty on management fee for the year	16,878	6,232
Units issued : 6,476,891 units (June 30, 2013: nil units)	86,026	-
Redemptions : 13,756,271 units (June 30, 2013 : 20,403,310 units)	190,854	300,011
Bonus units issued : 12,975,195 units (June 30, 2013 : 7,684,834 units)	168,755	82,151
<b>Meezan Islamic Fund</b>		
Bonus units issued : nil units (June 30, 2013 : 1,586,565 units)	-	16,960
Redemptions : nil units (June 30, 2013 : 10,066,755 units)	-	113,855
<b>Meezan Bank Limited</b>		
Profit on saving accounts with bank	1,359	153
Dividend income	2,185	3,628
Gain on sale of investments	3,846	13,189
900,000 shares sold during the year (June 30, 2013 : 1,477,000 shares)	34,720	42,369
Bonus units issued : 3,318,901 (June 30, 2013 : 1,040,525 units)	43,357	11,123
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the year	3,479	2,830
CDS charges for the year	119	57
<b>Pak Kuwait Investment Company (Private) Limited</b>		
Bonus units issued : 2,970,671 units (June 30, 2013 : nil units)	40,550	-
Redemptions : 2,970,671 units (June 30, 2013 : nil units)	40,550	-
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Units issued : nil units (June 30, 2013 : nil units)	-	-
Bonus units issued : 173,201 units (June 30, 2013 : 54,301 units)	2,263	580
<b>Directors and officers of the Management Company</b>		
Units issued: 3,940,359 units (June 30, 2013 : 957,147 units)	49,751	15,327
Redemptions : 50,449 units (June 30, 2013 : 363,402 units)	185	4,418
Bonus units issued : 1,729,009 units (June 30, 2013 : 172,861 units)	22,981	1,848

## 15. FINANCIAL INSTRUMENTS BY CATEGORY

	2014				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	84,389	-	-	-	84,389
Investments	-	1,658,134	1,134,694	-	2,792,828
Receivable against sale of investments	77,846	-	-	-	77,846
Dividend receivable	2,515	-	-	-	2,515
Deposits and other receivables	6,075	-	-	-	6,075
	<u>170,825</u>	<u>1,658,134</u>	<u>1,134,694</u>	<u>-</u>	<u>2,963,653</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan					
- Management Company	-	-	-	14,339	14,339
Payable to CDC - Trustee	-	-	-	310	310
Payable on redemption and conversion of units	-	-	-	24,656	24,656
Payable against purchase of investments	-	-	-	41,724	41,724
Unclaimed dividend	-	-	-	4,824	4,824
Accrued expenses and other liabilities	-	-	-	4,507	4,507
	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,360</u>	<u>90,360</u>
----- (Rupees in '000) -----					
<b>2013</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	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
	<u>208,188</u>	<u>1,163,074</u>	<u>868,876</u>	<u>-</u>	<u>2,240,138</u>
<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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,091</u>	<u>38,091</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, 2014 along with comparative is tabulated below:

	2014	2013
	(Rupees in '000)	
<b>Financial Assets</b>		
Balances with banks	<b>84,389</b>	199,155
Receivable against sale of investments	<b>77,846</b>	15
Dividend receivable	<b>2,515</b>	1,868
Deposits and other receivables	<b>6,075</b>	7,150
	<b><u>170,825</u></b>	<u>208,188</u>

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

	2014	2013
	------(%)-----	
AA+	<b>24.97</b>	30.69
AA	<b>0.32</b>	11.37
AA-	<b>74.71</b>	4.24
A	<b>-</b>	53.70
	<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, 2014.

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. 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.

In addition to Unitholders' fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2014 along with comparative is tabulated below:

	2014				Total
	Maturity upto			More than	
	Three months	Six months	One year	One year	
	----- (Rupees in '000) -----				
Payable to Al Meezan					
- Management Company	14,339	-	-	-	14,339
Payable to CDC - Trustee	310	-	-	-	310
Payable on redemption and conversion of units	24,656	-	-	-	24,656
Unclaimed dividend	4,824	-	-	-	4,824
Payable against purchase of investments	41,724	-	-	-	41,724
Accrued expenses and other liabilities	4,507	-	-	-	4,507
	<u>90,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,360</u>

	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 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>

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. 27.93 million (2013: Rs. 20.32 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, 2014 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, 2014 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, 2014, the net income would have increased / (decreased) by Rs 0.800 million (2013: Rs 1.929 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 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, 2014:

<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	<b>1,658,134</b>	-	-	<b>1,658,134</b>
<b>Investments - 'available for sale'</b>				
Financial assets 'available for sale'				
- Equity securities	<b>1,134,694</b>	-	-	<b>1,134,694</b>
	<b><u>2,792,828</u></b>	<u>-</u>	<u>-</u>	<b><u>2,792,828</u></b>

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

<b>Assets</b>	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
	2,031,950	-	-	2,031,950

## 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 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, 2014 as reduced by capital gains (whether realised or unrealised) to its unitholders.

## 20. PERFORMANCE TABLE

	2014	2013	2012
Net assets (Rs. '000) (ex-distribution) *	<b>2,847,050</b>	2,190,127	1,680,705
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>13.90</b>	12.59	10.69
Offer price per unit as at June 30 (Rs.) (ex-distribution)	<b>14.31</b>	12.96	10.97
Highest offer price per unit (Rs.)	<b>16.54</b>	17.30	13.83
Lowest offer price per unit (Rs.)	<b>12.85</b>	11.37	10.22
Highest redemption price per unit (Rs.)	<b>16.07</b>	17.21	13.47
Lowest redemption price per unit (Rs.)	<b>12.48</b>	11.08	9.96
<b>Distribution (%)</b>			
- Annual	-	35	20
- Interim	<b>24</b>	-	-
Dates of distribution (annual)	<b>May 30, 2014</b>	July 8, 2013	July 9, 2012
Income distribution (Rupees in '000)	<b>59</b>	10	-
Growth distribution (Rupees in '000)	<b>418,364</b>	476,441	264,972
Total return (%)	<b>30</b>	51	20
One year	<b>Two year</b>	Three year	
Average annual return (%) as at June 30, 2014	<b>30</b>	39	31

## 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 four years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Eighteen years
Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Ten years
Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Seven years
Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Five years
Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Seven 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 and Meezan Financial Planning Fund of Funds.

## 22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors' meetings and directors present therein				
		July 8, 2013	August 23, 2013	October 25, 2013	February 11, 2014	April 29, 2014
Mr. Ariful Islam	Chairman	No	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	No	Yes	No
Mr. Salman Sarwar Butt	Director	Yes	Yes	Yes	..... Resigned .....	
Mr. Tasnimul Haq Farooqui	Director	Yes	No	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes



## 23. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2014 %
Arif Habib Limited	12.01
Fortune Securities Limited	11.19
JS Global Capital Limited	11.02
Optimus Capital Management (Private) Limited	9.19
BMA Capital Management Limited	7.26
Shajar Capital Pakistan (Private) Limited	6.87
Aba Ali Habib Securities	5.53
Global Securities Pakistan Limited	4.51
KASB Securities Limited	4.41
Ample Securities (Private) Limited	3.96

Broker's Name	2013 %
Arif Habib Limited	8.97
Fortune Securities Limited	6.71
JS Global Capital Limited	3.41
Optimus Capital Management (Private) Limited	8.36
Aba Ali Habib Securities	4.10
KASB Securities Limited	5.98
Ample Securities (Private) Limited	3.59
Shajar Capital Pakistan (Private) Limited	6.93
Elixir Securities Pakistan (Private) Limited	4.44
Top Line Securities (Private) Limited	4.02

## 24. PATTERN OF UNITHOLDING

	----- (2014) -----		
	Number of investors	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	2,100	1,045,413	37%
Associated companies / directors	6	998,628	35%
Insurance companies	2	159,454	5%
Banks / DFIs	1	6,767	0%
Retirement funds	16	531,491	19%
Public limited companies	2	632	0%
Others	28	104,665	4%
Total	<u>2,155</u>	<u>2,847,050</u>	<u>100%</u>

	----- (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>	<u>2,377</u>	<u>2,190,127</u>	<u>100.00</u>


**25. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 28, 2014 by the Board of Directors of the Management Company.

**26. 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

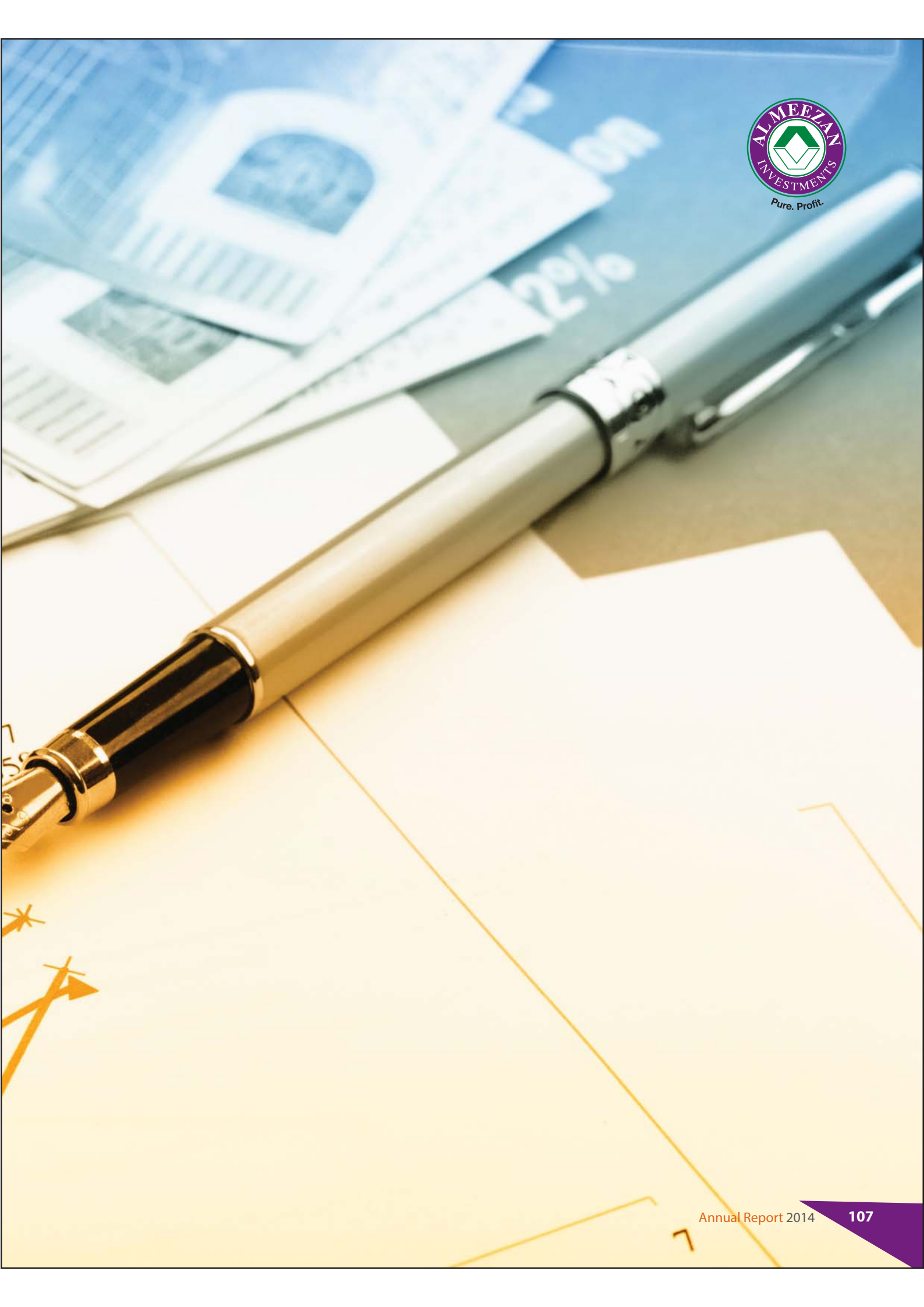
## PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2014

Units held by	Units Held	%
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	34,052,779	16.63
Al Meezan Investment Management Limited Staff Gratuity Fund	517,741	0.25
Meezan Bank Limited	9,921,033	4.84
Pak Kuwait Investment Company ( Private) Limited	16,895,690	8.25
Meezan Capital Preservation Fund - II	2,870,504	1.40
<b>Chief Executive</b>		
Mr. Mohammad Shoaid,CFA	7,570,008	3.70
<b>Executives</b>	87,737	0.04
<b>Public Limited Companies</b>	45,488	0.02
<b>Banks and financial institutions</b>	486,741	0.24
<b>Individuals</b>	75,104,186	36.68
<b>Retirement funds</b>	38,228,262	18.67
<b>Other Corporate sector entities</b>	18,609,620	9.09
<b>Non-Profit Organizaton</b>	387,498	0.19
<b>Total</b>	<b>204,777,286</b>	<b>100.00</b>



# KSE Meezan Index Fund

KSE Meezan Index Fund (KMIF) 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.



# 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	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Moin M. Fudda	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Mazhar Sharif	Non-Executive	
Syed Amir Ali	Non-Executive	
Syed Amir Ali Zaidi	Non-Executive	
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. Ariful Islam	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  
3rd & 4th Floor, 68-C, Lane – 13, Bokhari Commercial Area Phase - VI, DHA Karachi  
Phone: (9221) 35156191-94 Fax: (9221) 35156195  
E-mail: [bawaney@cyber.net.pk](mailto:bawaney@cyber.net.pk)

## TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue, SITE, Karachi.  
Phone: 32062891 Fax: 36406017  
Web site: [www.meezanbank.com](http://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.

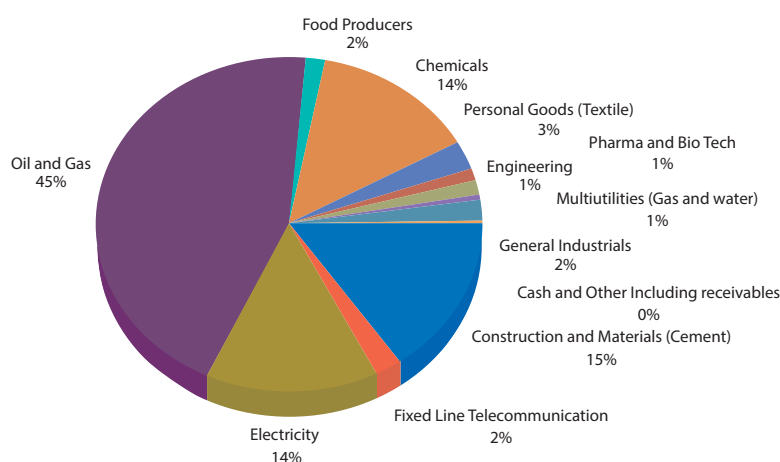
The objective of KMIF is to provide investors an opportunity to track the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the Index in proportion to their weightages.

### 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 second full year of operations during the year. As on June 30, 2014, the asset allocation of the fund is as given below:

**Sector Allocation as on 30th June 2014**

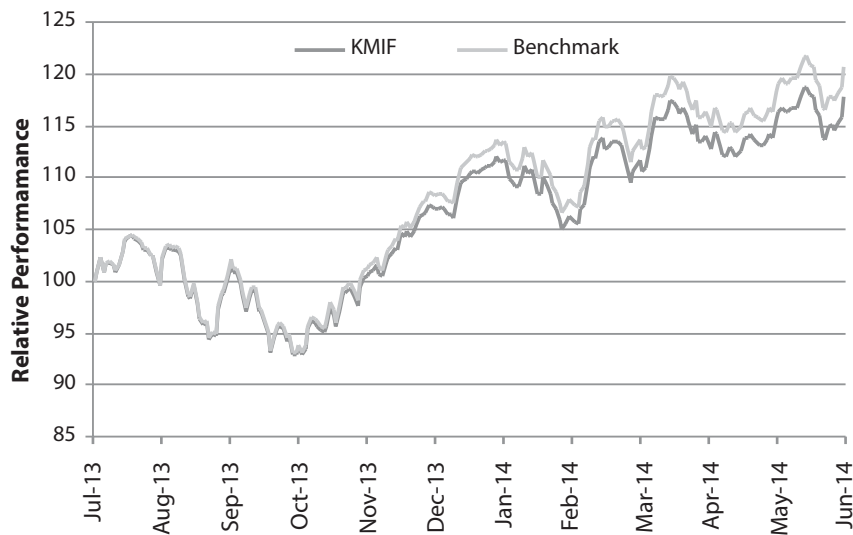


### Performance Review

During the fiscal year 2014, KSE Meezan Index Fund (KMIF) provided a return of 26.5% to its investors while KSE Meezan Index (KMI 30) returned 29.89% to close at 47,687. On a gross basis the fund's return was 28.9%, thus tracking 96.65% of the benchmark return with tracking error remaining within the stipulated limits.

KMIF posted a total income of Rs. 253.38 million in the fiscal year 2014 as compared to Rs. 181.55 million last year. Total income comprised mainly of realized gains and unrealized gain on investments of Rs. 71.17 million and Rs. 122.11 million respectively. Dividend income contributed Rs. 58.15 million, while profit on savings account at banks amounted to Rs. 0.57 million. After accounting for expenses of Rs. 24.62 million and an element of loss and capital losses included in prices of units issued and less those in units redeemed of Rs. 7.02 million, the Fund posted a net income of Rs. 221.75 million. The net assets of the Fund as at June 30, 2014 were Rs. 1,176.03 million as compared to Rs. 901.40 million at the end of last year. The net asset value per unit as at June 30, 2014 was Rs. 62.83 as compared to Rs.73.06 per unit as on June 30, 2013.

	<b>KMIF</b>	<b>KMI-30</b>
Net Asset Value (NAV) as on June 30, 2013	57.56	36,713
Net Asset Value (NAV) as on June 30, 2014	62.83	47,687
Return During the Period	26.49%	29.89%



### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable / welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2014 an amount of Rs. 1.06 million was accrued as charity payable.

### Distributions

The Board of Directors in its meeting held on August 28, 2014 approved NIL distribution for the year ended June 30, 2014. The interim distribution by the Fund during the fiscal year ended June 30, 2014 was Rs. 9.80 per unit (19.60%). Total distribution made by the fund was Rs. 123 million.

### Breakdown of unit holdings by size:

(As on June 30, 2014)

Range (Units)	No. of investors
1 - 9,999	280
10,000 - 49,999	78
50,000 - 99,999	8
100,000 - 499,999	7
500,000 and above	6
<b>Total</b>	<b>379</b>





**Meezan Bank**  
The Premier Islamic Bank

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

August 28, 2014/ Zul Qad 02, 1435

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, 2014 and their evaluation according to the screening criteria established by us. (December 31, 2013 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
DG Khan Cement Co Ltd	Cement Manufacturer	14.08	30.26	4.88	65.24	17.19	85.73
Fauji Fertilizer	Manufacturer of Fertilizer	0.23	0.32	0.01	0.54	-10.01	111.96
Lucky Cement	Cement Manufacturer	12.13	0.06	0.01	79.80	-42.49	299.87
Kot Addu Power Company	Electricity	0.26	0.00	0.02	0.30	-9.09	61.75
Pakistan Oilfields Limited	Oil & Gas Exploration and Production	0.00	0.01	0.88	74.85	-30.43	497.71
Pakistan Petroleum Ltd	Oil & Gas Exploration and Production	0.13	28.53	3.87	44.17	41.32	213.96

Page 1 of 2

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



	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
Pakistan State Oil Company Limited	Oil & Gas Distribution	27.06	12.74	1.05	31.51	-136.47	332.22
K-Electric Limited	Electricity	0.28	0.01	0.01	0.59	-3.97	5.65
The Hub Power Co. Ltd	Electricity	33.01	0.00	0.09	51.76	-35.00	60.72
Oil and Gas Development Co.***	Oil & Gas Exploration and Production	0.00	41.49	6.01	34.65	44.55	276.36

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

\*\* All interest based debts.

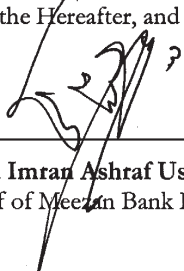
\*\*\* On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and 'Non Compliant Investments to Total Investments' ratio.

- ii. On the basis of information provided by the management, all operations of KMIF for the year ended June 30, 2014 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 1.06 million was created and an amount of Rupees 1.06 million was available for disbursement as of June 30, 2014.

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

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**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, 2014 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 19, 2014



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2014

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. Moin M. Fudda
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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on February 11, 2014 & April 29, 2014, which were filled up by the directors within 30 days. As required under clause (xi) of CCG regulation 35, all the relevant documents were circulated to the director and orientation will be conducted in forthcoming board of directors meeting. Further, as required under clause (v) of CCG regulation 35, mechanism for annual evaluation has been put in place and annual board's performance evaluation will be carried out in forthcoming year.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, 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' as at June 30, 2014.

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 unitholding.
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 CEO. All the other members, including chairman of the committee, are non-executive directors.
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 28, 2014



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

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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") of the Fund for the year ended 30 June 2014 to comply with the requirements of 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 and report if it does not and to highlight any non-compliance with the requirements of Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2014.

**Date: 28 August 2014**

**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 2014, 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 2014, and of its financial performance, cash flows and transactions for the year then ended 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: 28 August 2014**

**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.

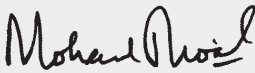
# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>Assets</b>			
Balances with banks	4	248,684	15,240
Investments	5	1,175,875	896,898
Dividend receivable		1,078	821
Deposits and other receivables	6	2,655	3,430
Preliminary expenses and floatation costs	7	1,167	1,570
<b>Total assets</b>		<b>1,429,459</b>	<b>917,959</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8	2,738	2,034
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	150	148
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	925	385
Payable to Meezan Bank Limited (MBL)		14	-
Payable against purchase of investments		238,282	4,488
Payable on redemption and conversion of units		164	3,204
Accrued expenses and other liabilities	11	11,159	6,296
<b>Total liabilities</b>		<b>253,432</b>	<b>16,555</b>
<b>Net assets</b>		<b>1,176,027</b>	<b>901,404</b>
<b>Contingencies and commitments</b>	15		
<b>Unitholders' fund (as per statement attached)</b>		<b>1,176,027</b>	<b>901,404</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>	12	<b>18,716,122</b>	<b>12,337,661</b>
<b>(Rupees)</b>			
<b>Net assets value per unit</b>		<b>62.83</b>	<b>73.06</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, 2014

	Note	2014 (Rupees in '000)	2013
<b>Income</b>			
Net realised gain on sale of investments		71,168	45,256
Dividend income		58,154	25,798
Profit on saving accounts with banks		573	1,254
Other income		1,372	1,908
		<b>131,267</b>	74,216
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)	5.1	122,114	107,332
<b>Total income</b>		<b>253,381</b>	181,548
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited (Al Meezan) - Management Company	8.1	9,733	4,051
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	3,320	719
Remuneration to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	1,933	792
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	925	385
Auditors' remuneration	13	395	245
Brokerage		1,449	1,154
Charity expense		1,061	481
Bank and settlement charges		628	533
Amortisation of preliminary expenses and floatation costs	7	403	403
Fees and subscription		125	101
Provision for Workers' Welfare Fund (WWF)	16	4,525	4,925
Printing expenses		120	86
<b>Total expenses</b>		<b>24,617</b>	13,875
<b>Net income from operating activities</b>		<b>228,764</b>	167,673
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed (net)		(7,017)	131,301
<b>Net income for the year before taxation</b>		<b>221,747</b>	298,974
<b>Taxation</b>	21	-	-
<b>Net income for the year after taxation</b>		<b>221,747</b>	298,974
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>221,747</b>	298,974

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

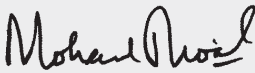
## DISTRIBUTION STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Undistributed income / accumulated (loss) brought forward		
- Realised	184,682	(1,720)
- Unrealised	107,332	(5,240)
	<b>292,014</b>	(6,960)
Final distribution on July 8, 2013 for the year ended June, 30 2013		
- bonus units @ 31% (Rs. 15.50 per unit) (June 30, 2012: nil)	<b>(191,240)</b>	-
Interim distribution on May 30, 2014 for the period ended June 30, 2014		
- bonus units @ 19.60% (Rs. 9.80 per unit) (May 30, 2013: nil)	<b>(123,028)</b>	-
	<b>(314,268)</b>	-
Net income for the year	<b>221,747</b>	298,974
Undistributed income carried forward	<b>199,493</b>	292,014
Undistributed income carried forward		
- Realised	<b>77,379</b>	184,682
- Unrealised	<b>122,114</b>	107,332
	<b>199,493</b>	292,014

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 UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Net assets at beginning of the year	901,404	289,484
Issue of 8,530,609 units (June 30, 2013: 11,808,987 units)	547,073	759,491
Redemption of 7,468,573 units (June 30, 2013: 5,400,208 units)	(501,214)	(315,244)
	45,859	444,247
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed (net)	7,017	(131,301)
Issue of 3,322,448 bonus units for the year ended June 30, 2013 (June 30, 2012: nil bonus units)	191,240	-
Issue of 1,993,977 bonus units for the period ended June 30, 2014 (June 30, 2013: nil bonus units)	123,028	-
Net realised gain on sale of investments	71,168	45,256
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)	122,114	107,332
Other net income for the year	28,465	146,386
Total Comprehensive income for the year	221,747	298,974
Final distribution on July 8, 2013 for the year ended June, 30 2013 - Issue of 3,322,448 bonus units for the year ended June 30, 2013 (June 30, 2012: nil bonus units)	(191,240)	-
Interim distribution on May 30, 2014 for the period ended June 30, 2014 - Issue of 1,993,977 bonus units for the year ended June 30, 2014 (June 30, 2013: nil bonus units)	(123,028)	-
	(314,268)	-
Net assets at end of the year	1,176,027	901,404
	(Rupees)	
Net assets value per unit at beginning of the year	73.06	48.83
Net assets value per unit at end of the year	62.83	73.06

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

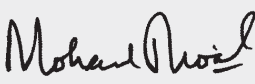
# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		221,747	298,974
<b>Adjustments for:</b>			
Amortisation of preliminary expenses and floatation costs		403	403
Unrealised gain on re-measurement of investments at fair value through profit or loss (net)		(122,114)	(107,332)
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed (net)		7,017	(131,301)
		<b>107,053</b>	<b>60,744</b>
<b>(Increase) / decrease in assets</b>			
Investments (net)		(156,863)	(499,508)
Dividend receivable		(257)	(358)
Deposits and other receivables		775	(773)
		<b>(156,345)</b>	<b>(500,639)</b>
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		704	(4,010)
Payable to Central Depository Company of Pakistan Limited - Trustee		2	90
Payable to Securities and Exchange Commission of Pakistan		540	361
Payable to Meezan Bank Limited		14	-
Payable against purchase of investments		233,794	1,318
Accrued expenses and other liabilities		4,863	5,859
		<b>239,917</b>	<b>3,618</b>
<b>Net cash inflow from / (used in) operating activities</b>		<b>190,625</b>	<b>(436,277)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance of units		547,073	759,491
Payment against redemption of units		(504,254)	(312,040)
<b>Net cash inflow from financing activities</b>		<b>42,819</b>	<b>447,451</b>
Net increase in cash and cash equivalents during the year		<b>233,444</b>	<b>11,174</b>
Cash and cash equivalents at beginning of the year		<b>15,240</b>	<b>4,066</b>
Cash and cash equivalents at end of the year	4	<b>248,684</b>	<b>15,240</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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** KSE Meezan Index Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on March 13, 2012 and was approved by Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund is a Shariah Compliant Index Fund that aims to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on 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. The Fund is categorized as an Equity Scheme.
- 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 (IASB) as are notified under the Companies Ordinance, 1984, the Non Banking Finance Companies 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 requirement of the NBFC Rules, the NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of 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 16)

## 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, 2014:

- 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.
- 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.
- 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.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, Fund can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
  - IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
  - IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
  - Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- These interpretations will not likely have an impact on Fund's Financial Statements.

### **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 through other comprehensive income.

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**

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 equity security below its cost is considered an indicator that the securities are impaired. Impairment loss on investment is recognised in the Income Statement whenever the acquisition cost of investment exceeds its recoverable amount. Impairment losses recognised on equity securities in the Income Statement are not reversed subsequently in the Income Statement.

### **3.1.6 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% 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 has availed 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 has availed 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) Dividend income is recognised when the Fund's right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (iii) Profit on bank deposits is recognised on time proportion basis using effective yield method.

### **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.

	Note	2014 (Rupees in '000)	2013
<b>4. BALANCES WITH BANKS</b>			
On current accounts		968	318
On saving accounts	4.1	247,716	14,922
		<b>248,684</b>	<b>15,240</b>

4.1 The balances in saving accounts have an expected profit ranging from 3.72% to 9.20% per annum (2013: 5.65% to 8.75% per annum).

## 5. INVESTMENTS

Investments at 'fair value through profit or loss' - Held for trading	5.1	<b>1,175,875</b>	896,898
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### 5.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2013	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage of total market value of investments
	-----Number of shares-----					-----Rupees in '000-----			%
<b>Sectors/ Companies</b>									
<b>Automobile and Parts</b>									
Indus Motor Company Limited	34,981	7,700	-	42,681	-	-	-	-	0.00
Pak Suzuki Motor Company Limited	38,360	8,300	-	46,660	-	-	-	-	0.00
									<b>0.00</b>
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	583,020	272,500	-	305,600	549,920	21,270	21,870	600	1.86
Fauji Fertilizer Company Limited	850,501	748,100	-	421,200	1,177,401	129,741	132,163	2,422	11.24
ICI Pakistan Limited	24,948	29,400	-	31,048	23,300	9,148	9,095	(53)	0.77
Lotte Chemical Pakistan Limited (formerly Lotte Pakistan PTA Limited)	670,833	286,000	-	956,833	-	-	-	-	0.00
									<b>13.87</b>
<b>Construction and Materials (Cement)</b>									
Attock Cement Pakistan Limited	35,800	6,500	5,250	47,550	-	-	-	-	0.00
Cherat Cement Company Limited	110,400	74,000	10,540	67,900	127,040	7,323	8,316	993	0.71
D.G. Khan Cement Company Limited	429,153	206,000	-	229,500	405,653	34,328	35,681	1,353	3.03
Fauji Cement Company Limited	-	1,765,594	-	533,900	1,231,694	19,308	23,698	4,390	2.02
Kohat Cement Company Limited	45,500	60,700	9,040	37,300	77,940	7,455	9,962	2,507	0.85
Lafarge Pakistan Cement Limited	705,000	300,500	-	1,005,500	-	-	-	-	0.00
Lucky Cement Limited	230,490	101,300	-	119,100	212,690	56,394	87,267	30,873	7.42
Maple Leaf Cement Factory Limited	328,500	189,500	-	207,300	310,700	7,769	9,336	1,567	0.79
Pioneer Cement Limited	-	116,000	-	1,500	114,500	5,440	5,343	(97)	0.45
									<b>15.27</b>
<b>Electricity</b>									
Hub Power Company Limited	1,437,962	708,500	-	686,000	1,460,462	88,949	85,788	(3,161)	7.30
Kot Addu Power Company Limited	-	789,753	-	26,000	763,753	45,507	45,092	(415)	3.83
K-Electric Limited (formerly Karachi Electric Supply Company Limited)	4,929,100	2,733,000	-	3,015,447	4,646,653	31,947	39,450	7,503	3.35
Pakgen Power Limited	-	287,000	-	287,000	-	-	-	-	0.00
									<b>14.48</b>
<b>Engineering</b>									
Millat Tractors Limited	28,760	16,300	2,806	18,060	29,806	14,405	14,877	472	1.27

Name of the investee company	As at July 1, 2013	Purchases during the year	Bonus Issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage of total market value of investments
	-----Number of shares-----					-----Rupees in '000-----			%
<b>Fixed Line Telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	1,046,323	494,500	-	551,500	989,323	23,939	25,198	1,259	2.14
<b>Food Producers</b>									
Engro Foods Limited	204,101	103,800	-	114,720	193,181	24,096	19,807	(4,289)	1.68
<b>General Industrials</b>									
Packages Limited	52,400	28,600	-	31,300	49,700	15,572	24,928	9,356	2.12
<b>Multiutilities (Gas and Water)</b>									
Sui Northern Gas Pipeline Limited	-	399,437	-	132,600	266,837	6,056	6,044	(12)	0.51
<b>Oil and Gas</b>									
Attock Petroleum Limited	-	39,789	-	11,900	27,889	14,904	16,450	1,546	1.40
Attock Refinery Limited	53,185	28,600	-	31,600	50,185	9,584	10,654	1,070	0.92
Mari Petroleum Company Limited	32,545	21,300	-	22,950	30,895	6,781	11,537	4,756	0.98
National Refinery Limited	45,251	25,500	-	27,800	42,951	9,827	9,250	(577)	0.79
Oil and Gas Development Company Limited (note 5.1.2)	458,294	306,800	-	211,400	553,694	134,479	144,669	10,190	12.30
Pakistan Oilfields Limited	192,564	90,300	-	100,900	181,964	93,762	104,502	10,740	8.89
Pakistan Petroleum Limited	533,290	285,500	104,898	327,010	596,678	115,728	133,859	18,131	11.38
Pakistan State Oil Company Limited	169,308	138,200	18,980	114,500	211,988	69,700	82,432	12,732	7.01
Shell Pakistan Limited	30,098	26,750	7,144	27,970	36,022	7,020	9,952	2,932	0.85
									<b>44.52</b>
<b>Personal Goods (Textile)</b>									
Nishat Mills Limited	313,000	152,100	-	169,250	295,850	30,156	33,112	2,956	<b>2.82</b>
<b>Pharma and Bio Tech</b>									
Abbott Laboratories (Pakistan) Limited	34,970	5,300	-	40,270	-	-	-	-	0.00
Glaxo Smithkline Pakistan Limited	80,523	52,000	7,084	55,175	84,432	11,161	14,018	2,857	1.19
									<b>1.19</b>
<b>Software and Computer Services</b>									
Netsol Technologies Limited	-	95,489	-	43,300	52,189	2,012	1,525	(487)	<b>0.13</b>
<b>Total</b>						<b>1,053,761</b>	<b>1,175,875</b>	<b>122,114</b>	
<b>Total cost of investments - 'held for trading'</b>							<b>1,053,761</b>		

**5.1.1** All shares have a nominal value of Rs.10 each.

**5.1.2** 140,100 shares (2013: 62,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 36.605 million as at June 30, 2014 (2013: Rs. 14.183 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

**6. DEPOSITS AND OTHER RECEIVABLES**

	Note	2014 (Rupees in '000)	2013
Profit receivable on saving accounts with banks		52	827
Security Deposits		2,603	2,603
		<b>2,655</b>	<b>3,430</b>

**7. PRELIMINARY EXPENSES AND FLOATATION COSTS**

	Note	2014	2013
Preliminary expenses and floatation costs	7.1	1,570	1,973
Less: Amortisation during the year		403	403
		<b>1,167</b>	<b>1,570</b>

**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.

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

	Note	2014 (Rupees in '000)	2013
Management fee	8.1	754	741
Sindh Sales Tax and Federal Excise Duty on management fee	8.2 & 8.3	1,618	190
Sales load payable		135	849
Sindh Sales Tax and Federal Excise Duty on sales load	8.2 & 8.3	231	254
		<b>2,738</b>	<b>2,034</b>

**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 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** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and the Honourable High Court Sindh in a Constitutional petition relating to levy of Federal Excise Duty (FED) on Mutual Fund has granted stay order for the recovery of Federal Excise Duty (FED). As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 1.396 million Had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2014 would have been higher by Rs. 0.07 per unit.

**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, 2014 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.

11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2014 (Rupees in '000)	2013
Auditors' remuneration		225	160
Brokerage payable		273	617
Withholding tax payable		43	91
Charity payable	11.1	1,061	496
Workers' Welfare Fund (WWF) payable	16	9,450	4,925
Zakat Payable		2	7
Printing Expenses Payable		105	-
		<b>11,159</b>	<b>6,296</b>

11.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.061 million is outstanding in this regard.

12. NUMBER OF UNITS IN ISSUE	2014 (Number of units)	2013
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	12,337,661	5,928,882
Add: units issued during the year	8,530,609	11,808,987
Add: bonus units issued during the year	5,316,425	-
Less: units redeemed during the year	(7,468,573)	(5,400,208)
Total units in issue at the end of the year	<b>18,716,122</b>	<b>12,337,661</b>



**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.

**13. AUDITORS' REMUNERATION**

**2014                      2013**  
**(Rupees in '000)**

Statutory Audit fee	<b>273</b>	100
Half yearly review	<b>83</b>	75
Other certifications and services	<b>10</b>	60
Out of pocket expenses	<b>29</b>	10
	<b>395</b>	245

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

The connected persons include Al Meezan Investment Management Limited (Al Meezan) being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Meezan Bank Limited (MBL) being the holding company of the Management Company, Directors and Officers of the Management Company, Meezan Islamic Fund, Al Meezan Mutual Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Capital Protected Fund - II, Meezan Financial Planning Fund of Funds, Meezan Balanced Fund, Meezan Capital Preservation Fund – III, Meezan Capital Preservation Fund – II and Meezan Tahaffuz Pension Fund being the Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Staff Gratuity Fund and Unitholders holding 10% or more of the 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, 2014 are as follows:

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

Remuneration payable  
 Sindh Sales Tax and Federal Excise Duty on management fee payable  
 Sales load payable  
 Sindh sales tax and Federal Excise Duty on sales load payable  
 Investments as at June 30, 2014: 5,120,366 units  
 (June 30, 2013: 3,217,996 units)

**Meezan Bank Limited**

Sales load payable  
 Bank balance  
 Investments as at June 30, 2014: 2,113,224 units  
 (June 30, 2013: 1,436,699 units)

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

Trustee fee payable  
 Deposits

**Meezan Capital Preservation Fund - II**

Investments as at June 30, 2014: 3,826,158 units  
 (June 30, 2013: nil units)

**Directors and executives of the Management Company**

Investments as at June 30, 2014: 1,283,972 units  
 (June 30, 2013: 912,352 units)

**Unitholders holding 10% or more of the Fund**

Investments as at June 30, 2014: nil units  
 (June 30, 2013: 1,462,698 units)

**2014**      **2013**  
**(Rupees in '000)**

754	741
1,618	190
135	849
231	254
321,713	235,107
14	-
243,284	2,927
132,774	104,966
150	148
103	103
240,398	-
80,672	66,656
-	106,866

**For the year ended June 30,**  
**2014**      **2013**  
**(Rupees in '000)**

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

Remuneration for the year  
 Sindh Sales Tax and Federal Excise Duty on management fee for the year  
 Units issued: 420,990 units (2013: 2,067,566 units)  
 Bonus units issued: 1,568,367 units (2013: nil units)  
 Redemption: 86,987 units (2013: 880,420 units)

**Meezan Bank Limited**

Profit on saving account  
 Nil shares purchased (2013: 12,680 shares)  
 Nil shares sold (2013: 90,939 shares)  
 Units issued: nil units (2013: 1,436,699 units)  
 Bonus units issued: 676,525 units (2013: nil units)

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

Remuneration Fee  
 CDS charges

**Meezan Capital Preservation Fund - II**

Units issued: 3,826,158 units (June 30, 2013: nil units)

**Directors and executives of the Management Company**

Units issued: 5,190 units (2013: 892,332 units)  
 Bonus units issued: 421,135 units (2013: nil units)  
 Redemption: 54,705 units (2013: nil units)

9,733	4,051
3,320	719
27,300	131,900
93,181	-
5,222	50,114
107	89
-	356
-	2,702
-	100,000
40,140	-
1,933	792
60	46
241,000	-
331	58,001
24,972	-
3,276	-

## 15. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2014.

## 16. 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 Honourable 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 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. However, decisions of SHC ( in against) and LHC ( in favour) are pending before Supreme Court therefore, the Management Company, as a matter of abundant caution, has recognised WWF charge for the period from January 1, 2013 to June 30, 2014 amounting to Rs. 9.45 million which includes Rs. 4.53 million pertaining to the current year and Rs. 4.92 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 0.50 (0.80%).

The Board of Directors of the management Company in its meeting held on October 25, 2013 have resolved that unrecorded accumulated WWF provision in the fund from the date of its application till December 31, 2012, in case is required to be paid, shall be borne by Al Meezan Investment Management Limited ( Management Company of the fund). Therefore, the Fund not exposed to this unrecorded accumulated WWF provision. The unrecorded accumulated provision for WWF upto December 31, 2012 is Rs. 1.03 million.

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	2014				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	248,684	-	-	-	248,684
Investments	-	1,175,875	-	-	1,175,875
Dividend receivable	1,078	-	-	-	1,078
Deposits and other receivables	2,655	-	-	-	2,655
	<u>252,417</u>	<u>1,175,875</u>	<u>-</u>	<u>-</u>	<u>1,428,292</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - Management Company	-	-	-	2,738	2,738
Payable to CDC - Trustee	-	-	-	150	150
Payable to Meezan Bank Limited	-	-	-	14	14
Payable on redemption and conversion of units	-	-	-	164	164
Accrued expenses and other liabilities	-	-	-	1,664	1,664
Payable against purchase of investments	-	-	-	238,282	238,282
	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,012</u>	<u>243,012</u>
----- (Rupees in '000) -----					
<b>2013</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	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>

## 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, 2008 and the directives issued by the SECP.

Risks managed and measured by the Fund are explained below:

### 18.1 Credit risk

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

Credit risk arises from deposits with banks and financial institutions, profit receivable on bank deposits, credit exposure arising as a result of dividends receivable on equity securities 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, 2014 along with comparative is tabulated below:

	2014 (Rupees in '000)	2013
<b>Financial Assets</b>		
Balances with banks	248,684	15,240
Dividend receivable	1,078	821
Deposits and other receivables	2,655	3,430
	<b>252,417</b>	<b>19,491</b>

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

	2014	2013
	..... (%) .....	
AAA	-	0.06
AA+	2.17	80.11
AA	97.83	19.21
A	-	0.62
	<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, 2014.

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

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

## 18.2 Liquidity risk

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

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

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

Further, the Fund is also allowed in accordance with regulation 57 (10) of the NBFC Regulations, 2008 to defer redemption requests to the next dealing day, had such requests exceed ten percent of the total number of units in issue.

In addition to Unitholders' fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2014 along with comparative is tabulated below:

	2014				Total
	Maturity upto			More than one year	
	Three months	Six months	One year		
----- (Rupees in '000) -----					
Payable to Al Meezan					
- Management Company	2,738	-	-	-	2,738
Payable to CDC - Trustee	150	-	-	-	150
Payable to Meezan Bank Limited	14	-	-	-	14
Payable against purchase of investments	238,282	-	-	-	238,282
Payable on redemption and conversion of units	164	-	-	-	164
Accrued expenses and other liabilities	1,664	-	-	-	1,664
	<u>243,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,012</u>
-----					
	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>

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

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 11.759 million (2013: 8.969 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.

### **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 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, 2014, the net income would have increased / (decreased) by Rs 2.477 million (2013: Rs 0.149 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.

## **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 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 (i.e., unobservable inputs).

The following table presents the assets that are measured at fair value as at June 30, 2014:

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Assets</b>				
<b>Investments 'at fair value through profit or loss' - Held for trading</b>				
- Equity securities	<u>1,175,875</u>	<u>-</u>	<u>-</u>	<u>1,175,875</u>
	<u>1,175,875</u>	<u>-</u>	<u>-</u>	<u>1,175,875</u>

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

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Assets</b>				
<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>

## 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 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, 2014, as reduced by capital gains (whether realised or unrealised) to its unitholders.

	2014	2013	2012
<b>22. PERFORMANCE TABLE</b>			
Net assets (Rs '000) (ex-distribution)	<b>1,176,027</b>	901,404	289,484
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>62.83</b>	57.56	48.83
Offer price per unit as at June 30 (Rs.) (ex-distribution)	<b>64.68</b>	59.27	50.12
Highest offer price per unit (Rs.)	<b>79.69</b>	79.42	51.49
Lowest offer price per unit (Rs.)	<b>59.09</b>	52.15	48.82
Highest redemption price per unit (Rs.)	<b>77.41</b>	77.12	50.17
Lowest redemption price per unit (Rs.)	<b>57.40</b>	50.64	47.57
<b>Distribution (%)</b>	<b>19.60%</b>	31.00%	-
Date of distribution	<b>May 30, 2014</b>	July 8, 2013	-
Growth distribution (Rupees in '000)	<b>123,028</b>	191,234	-
Total return (%)	<b>26.50</b>	49.62	(2.34)
	<b>One Year</b>	Two Year	Three Year
Average annual return (%) as at June 30, 2014	<b>26.50%</b>	37.58%	22.72%

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 in years
1 Mr. Mohammad Shoab	Chief Executive Officer	CFA / MBA	Twenty four years
2 Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Eighteen years
3 Mrs. Sanam Ali Zaib	Head of Research	CFA / MBA	Ten years
4 Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Seven years
5 Mr. Zain Malik	Senior Manager (Fund Management Department)	CFA level II / BBA	Five years
6 Mr. Gohar Rasool	Senior Manager (Fund Management Department)	MBBS	Seven years

23.2 The Fund manager of the Fund is Mr. Gohar Rasool. Other Fund being managed by the Fund manager are as follows:

- Al Meezan Mutual Fund
- Meezan Financial Planning Fund of Funds

## 24. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein				
		July 8, 2013	August 23, 2013	October 25, 2013	February 11, 2014	April 29, 2014
Mr. Ariful Islam	Chairman	No	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	No	Yes	No
Mr. Salman Sarwar Butt	Director	Yes	Yes	Yes	-----Resigned-----	
Mr. Tasnimul Haq Farooqui	Director	Yes	No	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes

## 25. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2014 %
1 Fortune Securities (Private) Limited	12.79
2 BMA Capital Management Limited	11.73
3 Global Securities (Private) Limited	11.61
4 Aba Ali Habib Securities (Private) Limited	11.41
5 Taurus Securities Limited	10.02
6 Arif Habib Limited	7.90
7 Optimus Capital Management Limited	7.73
8 Topline Securities (Private) Limited	7.28
9 Standard Capital Securities (Private) Limited	6.06
10 KASB Securities Limited	4.28

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 Securities (Private) Limited	7.44
9 Aba Ali Habib Securities (Private) Limited	6.36
10 BMA Capital Management Limited	4.52

## 26. PATTERN OF UNIT HOLDING

	2014		
	Number of Investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	363	296,713	25.23
Associated companies / directors	4	775,279	65.92
Retirement funds	6	6,883	0.59
Others	6	97,152	8.26
	379	1,176,027	100.00

	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
	<u>373</u>	<u>901,404</u>	<u>100.00</u>


## 27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 28, 2014 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, 2014

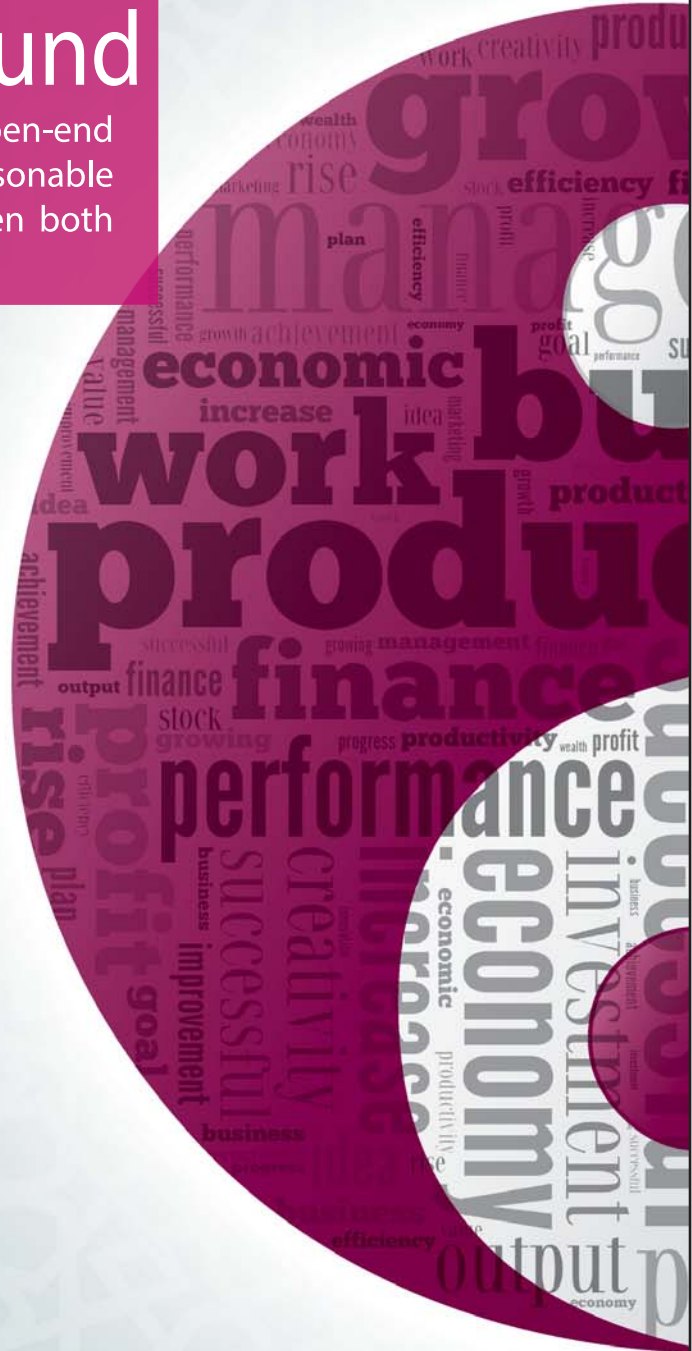
<b>Units held by</b>	<b>Units Held</b>	<b>%</b>
<b>Associated Companies</b>		
Al Meezan Investment Management Limited	5,120,366	27.36
Meezan Capital Preservation Fund - II	3,826,158	20.44
Meezan Bank Limited	2,113,224	11.29
<b>Chief Executive</b>		
Mr. Mohammad Shoaib, CFA	1,278,591	6.83
<b>Executives</b>	5,381	0.03
<b>Individuals</b>	4,716,713	25.20
<b>Retirements funds</b>	109,543	0.59
<b>Other corporate sector entities</b>	1,546,146	8.26
<b>Total</b>	<b>18,716,122</b>	<b>100.00</b>





# Meezan Balanced Fund

Meezan Balanced Fund is a Shariah compliant open-end balanced scheme which aims to provide reasonable returns by distributing investible assets between both equity and debt markets.







# 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	Non-Executive	Chairman
Mr. P. Ahmed	Independent	
Mr. Moin M. Fudda	Independent	
Mr. Tasnimul Haq Farooqui	Non-Executive	
Mr. Mazhar Sharif	Non-Executive	
Syed Amir Ali	Non-Executive	
Syed Amir Ali Zaidi	Non-Executive	
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. Ariful Islam	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

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

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE FUND MANAGER

Meezan Balanced Fund (MBF) was converted from a closed end fund to an open end fund in July 2013. MBF is a balanced fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products. The objective of MBF is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic fixed income avenues such as Sukuks (Islamic Bonds), Musharaka and Murabaha instruments; Shariah compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits, and other Islamic income products.

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

### Conversion into an open end fund

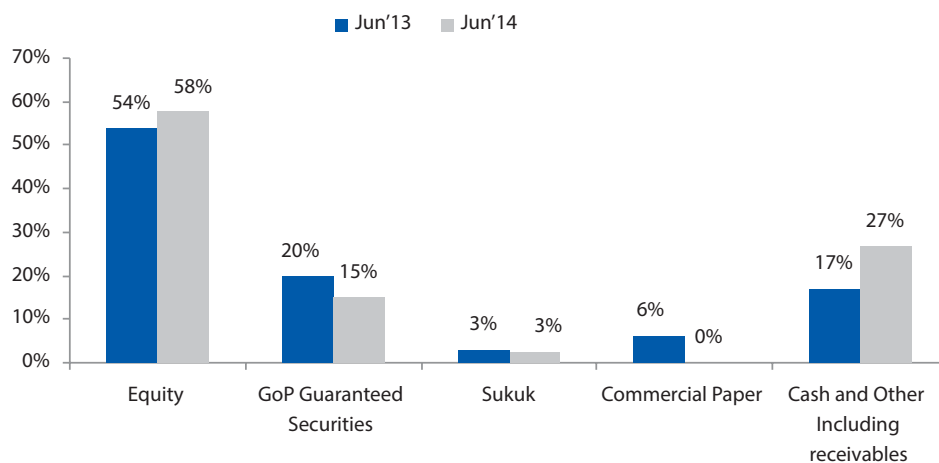
Meezan Balanced Fund (MBF) has been converted from a closed end to an open end fund with effect from July 1, 2013. The key objective of this conversion is to protect the interest of investors who will be getting units prices based on net asset value instead of prevailing discounted market price of MBF shares on the stock exchange. The conversion of MBF will offer investors the ability to switch freely between Al Meezan's equity, income and money market funds.

### Strategy and Investment Policy

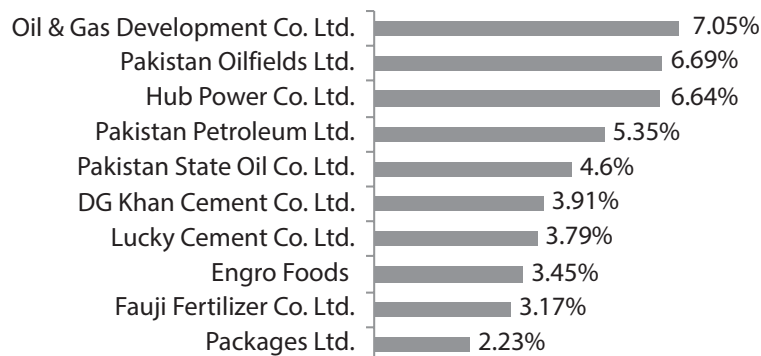
Being a balanced fund, performance of MBF is linked proportionately to the performance of stock market and Islamic fixed income instruments. The fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. The fund primarily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

During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum in a volatile interest rate environment and reaping benefits of fluctuation in interest rate, the fund manager over the period has kept the duration of the fixed income portfolio below six months. During the year, the fund maintained a significant exposure to Oil & Gas and Electricity sectors because of better prospects of these sectors. The average equity exposure in the fund during the year was maintained at 55.86% while the balance was deployed in fixed income avenues.

**Sector Allocation as on June 30th 2013 and 2014**



## Top Holdings

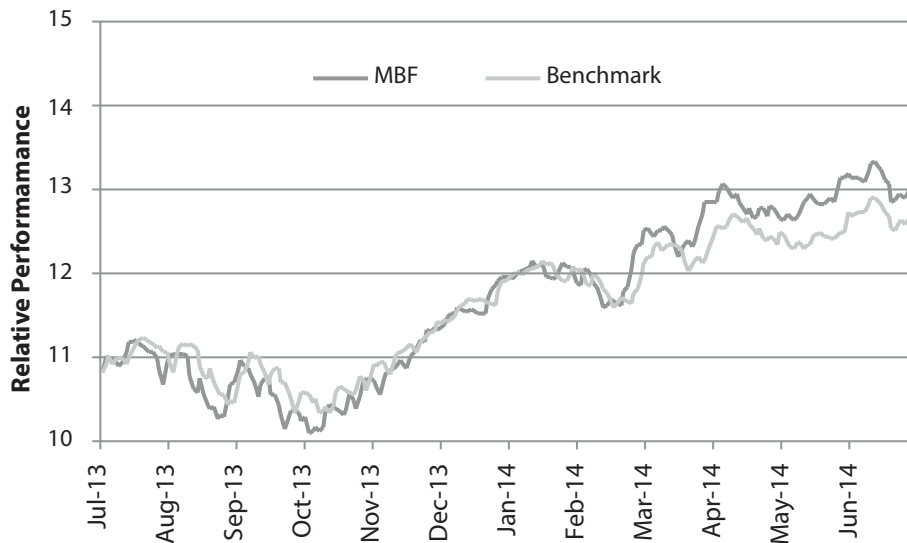


### Performance Review

During the fiscal year 2014, Meezan Balanced Fund (MBF) provided a return of 20% to its investors compared to benchmark return of 18%.

MBF posted a total income of Rs. 450 million in the fiscal year 2014 as compared to Rs. 388.28 million last year. Total income comprised of realized gains and unrealized gain on investments of Rs. 231.83 million and Rs. 101.27 million respectively. Dividend income contributed Rs. 51.90 million to the income, while profit on savings account at banks amounted to Rs. 25.09 million. After accounting for expenses of Rs. 66.98 million and an element of income and capital gains included in prices of units issued and less those in units redeemed of Rs. 24.26 million, the Fund posted a net profit of Rs. 407.28 million. Profit on Sukuks certificates was Rs. 46.64 million, while provision in debt securities was made of Rs. 16.30 million. The net assets of the Fund as at June 30, 2014 were Rs. 1,930.49 million as compared to Rs. 1,747.48 million at the end of year depicting a rise of 10.47%. The net asset value per unit as at June 30, 2014 was Rs. 13.35 as compared to Rs.14.56 per unit/certificate as on June 30, 2013.

	30-Jun-14	30-Jun-13	Return (Dividend Adjusted)
<b>NAV (Dividend Adjusted)</b>			
Meezan Balanced Fund	13.35	14.56	19.64%
<b>Benchmark Returns (Inputs)</b>			
KMI 30	47,686	36,713	29.89%
Average Yield on Islamic Bank Deposits (annualised)			5.38%
KMI 30 Return	29.89%	50%	14.95%
Islamic Bank Deposit Return	5.38%	50%	2.69%
<b>Benchmark Return</b>			17.64%
<b>Outperformance</b>			2.00%



### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable / welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2014 an amount of Rs. 1.063 million was accrued as charity payable.

### Distribution

The Board of Directors in its meeting held on August 28, 2014 approved NIL distribution for the year ended June 30, 2014. The interim distribution by the Fund during the fiscal year ended June 30, 2014 were Rs. 2.25 per unit (22.50%). Total distribution made by the fund was Rs. 280 million.

### Breakdown of unit holdings by size

(As on June 30, 2014)

Range (Units)	No. of investors
1-9,999	747
10,000-49,999	265
50,000-99,999	82
100,000-499,999	65
500,000 and above	52
<b>Total</b>	<b>1,211</b>



**Meezan Bank**  
The Premier Islamic Bank

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

August 28, 2014/ Zul Qad 02, 1435

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

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

- i. We have reviewed and approved the modes of investments of MBF in light of *Shari'ah* requirements. Following is the list of investments of MBF as on June 30, 2014 and their evaluation according to the screening criteria established by us. (December 31, 2013 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pak Oilfields	Exploration and Production of Oil & Gas	0.00	0.00	0.01	0.75	-30.43	497.71
Packages	General Industries	0.14	0.17	0.03	0.71	41.52	272.63
Lucky Cement	Cement Manufacturer	12.13	0.06	0.01	79.80	-42.49	299.87
Pakistan State Oil Company Limited	Distribution of Oil & Gas	27.06	12.74	1.05	31.51	-136.47	332.22
Oil and Gas Development Co.***	Distribution of Oil & Gas	0.00	41.49	6.01	34.65	44.55	276.36

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

\*\* All interest based debts.

\*\*\* On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and 'Non Compliant Investments to Total Investments' ratio.

Page 1 of 2

**Meezan Bank Ltd.**

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



- ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2014 have been in compliance with the *Shari'ah* principles.

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

During the year a provision of Rupees 0.808 million was created and an amount of Rupees 0.696 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.

A handwritten signature in black ink, appearing to be "Dr. Muhammad Imran Ashraf Usmani", written over a horizontal line.

**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 Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN BALANCED FUND**

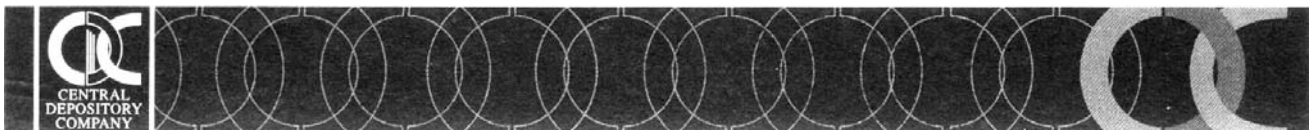
**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Balanced Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 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 19, 2014





## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2014

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. Moin M. Fudda
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. Two casual vacancies occurred on the board on February 11, 2014 & April 29, 2014, which were filled up by the directors within 30 days. As required under clause (xi) of CCG regulation 35, all the relevant documents were circulated to the director and orientation will be conducted in forthcoming board of directors meeting. Further, as required under clause (v) of CCG regulation 35, mechanism for annual evaluation has been put in place and annual board's performance evaluation will be carried out in forthcoming year.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, 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' as at June 30, 2014.

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 unitholding.
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 CEO. All the other members, including chairman of the committee, are non-executive directors.
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 Shoab, CFA**  
Chief Executive

Karachi  
Date: August 28, 2014



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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") of the Fund for the year ended 30 June 2014 to comply with the requirements of 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 and report if it does not and to highlight any non-compliance with the requirements of Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.


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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2014.

**Date: 28 August 2014**

**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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## Independent Auditors' Report to the Certificate Holders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Meezan Balanced Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2014, and the related income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movement in reserves per certificate 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*

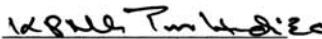
In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2014, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *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: 28 August 2014**

**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, 2014

	Note	2014 (Rupees in '000)	2013
<b>Assets</b>			
Balances with banks	4	470,857	296,693
Investments	5	1,499,193	1,493,960
Dividend receivable		1,153	974
Receivables against investments (net)		13	-
Deposits and other receivables	6	11,797	13,109
<b>Total assets</b>		<b>1,983,013</b>	<b>1,804,736</b>
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited (AI Meezan) - Management Company	7	9,557	3,655
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	239	156
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	1,465	1,356
Payable on redemption and conversion of units		2,074	-
Payable against purchase of investments		-	8,921
Accrued expenses and other liabilities	10	31,826	25,751
Unclaimed dividend		7,366	17,417
<b>Total liabilities</b>		<b>52,527</b>	<b>57,256</b>
<b>Net assets</b>		<b>1,930,486</b>	<b>1,747,480</b>
<b>Contingencies and commitments</b>	11		
<b>Unitholders' fund / Certificate holders' equity (as per statement attached)</b>		<b>1,930,486</b>	<b>1,747,480</b>
<b>Number of units / certificates in issue</b>	14	<b>144,610,111</b>	<b>120,000,000</b>
		<b>(Rupees)</b>	
<b>Net assets value per unit / certificate</b>		<b>13.35</b>	<b>14.56</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


# INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>Income</b>			
Net realised gain on sale of investments		231,835	115,893
Dividend income		51,896	67,498
Profit on saving accounts with banks		25,089	10,012
Profit on sukuk certificates		46,644	63,473
Other income		9,572	-
		<b>365,036</b>	256,876
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)		101,271	136,041
Provision against non-performing debt securities (net)	5.1.2.5	(16,305)	(607)
Impairment loss on 'available for sale' investments		-	(4,028)
		<b>84,966</b>	131,406
<b>Total income</b>		<b>450,002</b>	388,282
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - Management Company	7.1	34,473	31,924
Sindh Sales Tax and Federal Excise Duty on management fee	7.2&7.3	11,769	5,386
Remuneration to Central Depository Company of Pakistan Limited - Trustee	8	2,724	1,752
Annual fee to Securities and Exchange Commission of Pakistan	9	1,465	1,356
Auditors' remuneration	13	561	480
Charity expense		940	1,181
Fees and subscription		432	395
Brokerage		1,364	1,033
Bank and settlement charges		668	567
Provision for Workers' Welfare Fund (WWF)	12	8,312	20,735
Printing charges		435	615
Conversion cost		3,840	-
<b>Total expenses</b>		<b>66,983</b>	65,424
<b>Net income from operating activities</b>		<b>383,019</b>	322,858
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		24,261	-
<b>Net income for the year before taxation</b>		<b>407,280</b>	322,858
<b>Taxation</b>	21	-	-
<b>Net income for the year after taxation</b>		<b>407,280</b>	322,858
<b>Other comprehensive income for the year</b>			
<b>Items that can be reclassified to income statements in subsequent periods</b>			
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	5.2.3	(74,115)	117,579
<b>Total comprehensive income for the year</b>		<b>333,165</b>	440,437

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, 2014

	2014 (Rupees in '000)	2013
Undistributed income brought forward		
- Realised	238,809	267,121
- Unrealised	136,041	12,871
	<b>374,850</b>	279,992
Less: Final distribution @ 15% (Rs. 1.5 per certificate) in the form of cash dividend for the year ended June 30, 2013 (June 30, 2012 @ 19% Rs. 1.90 per certificate)	<b>(180,000)</b>	(228,000)
Less: Interim distribution on May 30, 2014 for the year ended June 30, 2014 - bonus units @ 22.50% (Rs. 2.25 per unit) (June 30, 2013: nil)	<b>(279,974)</b>	-
Net income for the year	<b>407,280</b>	322,858
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>(11,611)</b>	-
Undistributed income carried forward	<b>310,545</b>	374,850
Undistributed income carried forward		
- Realised	209,274	238,809
- Unrealised	101,271	136,041
	<b>310,545</b>	374,850

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 UNITHOLDERS' / CERTIFICATE HOLDER FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
Net assets at beginning of the period		-	1,535,043
Issue of 120,000,000 units against cancellation of 120,000,000 certificates of Meezan Balanced Fund upon conversion from close end fund to an open end scheme	14.1	1,747,480	-
Issue of 26,201,343 units for the year ended June 30, 2014		400,168	-
Redemption of 22,817,428 units for the year ended June 30, 2014		(346,066)	-
		54,102	-
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(24,261)	-
Issue of 21,226,196 bonus units for the year ended June 30, 2014		279,974	-
Net realised gain on sale of investments		231,835	115,893
Unrealised appreciation in the value of investments (net)		84,966	131,406
Other net income for the year		16,364	193,138
Total comprehensive income for the year		333,165	440,437
Final distribution @ 15% (Rs. 1.5 per certificate) in the form of cash dividend for the year ended June 30, 2013 (June 30, 2012: Rs. 1.9 per certificate)		(180,000)	(228,000)
Interim distribution on May 30, 2014 for the year ended June 30, 2014		(279,974)	-
-Issue of 21,226,196 bonus units for the year ended June 30, 2014		(459,974)	(228,000)
Net assets at end of the year		1,930,486	1,747,480
		(Rupees)	
Net assets value per unit / certificate at beginning of the year		14.56	12.79
Net assets value per unit / certificate at end of the year		13.35	14.56

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, 2014

	2014	2013
Note	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	407,280	322,858
<b>Adjustments for:</b>		
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)	(101,271)	(136,041)
Provision against non-performing debt securities (net)	16,305	607
Impairment loss on 'available for sale' investments	-	4,028
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(24,261)	-
	298,053	191,452
<b>Decrease / (Increase) in assets</b>		
Investments - (net)	5,618	225,411
Dividend receivable	(179)	508
Deposits and other receivables	1,299	2,141
	6,738	228,060
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	5,902	735
Payable to Central Depository Company of Pakistan Limited - Trustee	83	16
Payable to Securities and Exchange Commission of Pakistan	109	119
Payable against purchase of investments	(8,921)	8,877
Accrued expenses and other liabilities	6,075	21,536
	3,248	31,283
<b>Net cash inflow from operating activities</b>	308,039	450,795
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units	400,168	-
Payment against redemption of units	(343,992)	-
Dividend paid	(190,051)	(226,990)
<b>Net cash used in financing activities</b>	(133,875)	(226,990)
Net increase in cash and cash equivalents during the year	174,164	223,805
Cash and cash equivalents at beginning of the year	296,693	72,888
Cash and cash equivalents at end of the year	470,857	296,693

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, 2014

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Balanced Fund (the Fund) was initially established as a closed-end scheme under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2 In order to convert the closed-end scheme to open-end scheme under the requirements of regulation 65 of NBFC Regulations, a meeting of the shareholders of the Fund was held on January 31, 2013 in which a resolution to convert the Fund into an Open-End Scheme (Meezan Balanced Fund) was passed.
- 1.3 Subsequently, on May 3, 2013, SECP vide its letter No. SCD/AMCW/MBF /512/2013 has approved the conversion of the closed end structure into an open end scheme through the establishment of the Unit Trust Scheme under the name of Meezan Balanced Fund (MBF). On June 27, 2013, SECP vide its letter No SCD/AMCW/MBF/613/2013 registered MBF (the open-end scheme) as a notified entity and has withdrawn the registration of MBF as close end scheme with effect from the effective date i.e. July 01, 2013 and therefore from July 1, 2013, the Fund has been converted into an open end scheme and accordingly the certificate holders of closed end scheme at June 30, 2013, were converted to unitholders of open end scheme from July 1, 2013.
- 1.4 A swap ratio of 1:1 (i.e. for each certificate at par value of Rs. 10, one unit of the open end scheme at initial offer price of Rs. 10 with no front-end load was issued and the certificates of closed end fund were deemed to be cancelled and of no effect) was approved by the certificate holders. Hence, the initial issuance of 120,000,000 units of Meezan Balanced Fund as an open end scheme was made at the net assets value received against each unit (i.e. Rs. 13.06 per unit). The balance was distributed as cash dividend to the certificate holders in the current year.
- 1.5 The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the NBFC Rules, 2003 through a certificate of registration issued by the SECP.
- 1.6 The registered office of the Management Company is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.7 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic income instruments such as certificates of Islamic investment, musharaka certificates, Islamic sukuk certificates and other Shariah compliant instruments. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Islamic Shariah.
- 1.8 Units of the Fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Management Company has been given a quality rating of AM2 by JCR - VIS Credit Rating Company Limited.
- 1.9 Title to the assets of the Fund are held in the name of CDC as a Trustee of the Fund and the listing of the units of the open end scheme has been made to the Islamabad Stock Exchange.
- 1.10 These financial statements have been prepared from effective date i.e. July 01, 2013 as per the requirements of NBFC Regulations applicable to open end schemes and accordingly, the comparatives have been presented in these financial statements.

### 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 (IASB) as are notified under the Companies Ordinance, 1984, 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 NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, 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 assumptions

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

- (a) Classification and valuation of financial instruments (notes 3.1 and 5)
- (b) Impairment of financial instruments (note 3.1.5)
- (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, 2014:

- 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.
- 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.
- 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.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of counting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a fund can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
  - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, cognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
  - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- These interpretations are not likely to have an impact on the Fund's financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Financial instruments

##### 3.1.1 Classification

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

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

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

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

The fair value of financial instruments is determined as follows:

##### *Basis of valuation of debt securities:*

The fair value of debt securities 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 the SECP. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

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

##### *Basis of valuation of government securities:*

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system 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, derivatives and financial instruments sold on deferred settlement basis 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**

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

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

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

#### **3.1.6 Derecognition**

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

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

### 3.1.7 Offsetting of financial instruments

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

### 3.1.8 Regular way contracts

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

### 3.2 Unitholders' Fund

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

### 3.3 Issuance and redemption of units

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

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

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

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

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

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

### 3.5 Provisions

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

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

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

### **3.7 Earnings per unit**

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

### **3.8 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 has availed 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 availed 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 income statement currently and are recognised on the date when the transaction takes place.
- (ii) Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (iii) Income on sukuk certificates, placements and government securities is recognized on a time proportionate basis using effective yeild method, except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on receipt / cash basis.
- (iv) Profit on bank deposit is recognized on time proportion basis using effective yield method.

### **3.10 Expenses**

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



### 3.11 Cash and cash equivalents

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

### 3.12 Segment Reporting

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

### 3.13 Distribution

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

	Note	2014 (Rupees in '000)	2013
<b>4. BALANCES WITH BANKS</b>			
On current accounts		6,849	8,062
On saving accounts	4.1	464,008	288,631
		<b>470,857</b>	<b>296,693</b>
4.1	The balances in saving accounts have an expected profit ranging from 3.72% to 9.20% (2013: 5.65% to 12.10%) per annum.		
<b>5. INVESTMENTS</b>			
Investments - 'at fair value through profit or loss'	5.1	1,205,799	1,095,632
Investments - 'available for sale'	5.2	293,394	398,328
		<b>1,499,193</b>	<b>1,493,960</b>
<b>5.1 Investments - 'at fair value through profit or loss'</b>			
Held for trading	5.1.1	1,115,673	911,413
Investments at fair value through profit or loss upon initial recognition	5.1.2	90,126	184,219
		<b>1,205,799</b>	<b>1,095,632</b>
<b>5.1.1 Held for trading</b>			
Shares of listed companies	5.1.1.1	816,464	554,413
Sukuk certificates	5.1.1.4	299,209	357,000
		<b>1,115,673</b>	<b>911,413</b>

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

Name of the investee company	As at July 1, 2013	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage of market value of total investment
	-----Number of shares-----					----- (Rupees in '000) -----			%
<b>Sector / Companies</b>									
<b>Banks</b>									
Meezan Bank Limited (an associate company of the Fund)	-	673,500	-	-	673,500	26,387	29,122	2,735	1.94
<b>Automobile and parts</b>									
Pakistan Suzuki Motor Company Limited	7,800	10,000	-	-	17,800	2,670	4,875	2,205	0.33
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	350,000	-	-	75,000	275,000	10,324	10,937	613	0.73
Fauji Fertilizer Company Limited	501,800	350,000	-	567,100	284,700	31,162	31,957	795	2.13
ICI Pakistan Limited	2,195	15,000	-	-	17,195	5,300	6,712	1,412	0.45
									<b>3.31</b>
<b>Construction and materials (Cement)</b>									
Attock Cement Pakistan Limited	55,350	-	52	55,000	402	46	63	17	0.00
DG Khan Cement Company Limited	459,160	385,500	-	567,000	277,660	23,976	24,423	447	1.63
Fauji Cement Company Limited	-	1,251,000	-	480,000	771,000	11,806	14,834	3,028	0.99
Lucky Cement Limited	269,000	290,000	-	295,000	264,000	77,309	108,319	31,010	7.23
Pioneer Cement Limited	-	116,000	-	-	116,000	5,452	5,413	(39)	0.36
									<b>10.21</b>
<b>Fixed line telecommunication</b>									
Pakistan Telecommunication Company Limited "A"	706,510	1,120,000	-	1,054,000	772,510	21,084	19,676	(1,408)	1.31
<b>General industrials</b>									
Thal Limited (note 5.1.1.2)	61,000	-	-	20,000	41,000	5,227	8,503	3,276	0.57
Packages Limited	178,000	10,000	-	150,000	38,000	8,572	19,060	10,488	1.27
Tri-Pack Films Limited	55,000	-	-	55,000	-	-	-	-	-
									<b>1.84</b>
<b>Oil and gas</b>									
Attock Refinery Limited	-	37,000	-	32,000	5,000	1,127	1,062	(65)	0.07
Oil and Gas Development Company Limited (note 5.1.1.3)	160,800	100,000	-	159,000	101,800	25,326	26,598	1,272	1.77
Pakistan Oilfields Limited	110,475	283,000	-	116,750	276,725	146,819	158,923	12,104	10.60
Pakistan Petroleum Limited	302,330	340,000	50,066	348,000	344,396	75,379	77,262	1,883	5.15
National Refinery Limited	900	41,600	-	-	42,500	9,410	9,153	(257)	0.61
Pakistan State Oil Company Limited	103,200	352,600	11,420	113,616	353,604	129,423	137,499	8,076	9.17
Mari Petroleum Company Limited	-	30,000	-	-	30,000	10,756	11,203	447	0.75
									<b>28.12</b>
<b>Pharma and Bio Tech</b>									
Abbott Laboratories (Pakistan) Limited	-	31,000	-	-	31,000	17,370	17,742	372	1.18
<b>Food producers</b>									
Engro Foods Limited	442,000	515,000	-	771,900	185,100	19,411	18,978	(433)	1.27
<b>Personal Goods (Textile)</b>									
Nishat Mills Limited	333,000	85,000	-	140,000	278,000	27,599	31,114	3,515	2.08
<b>Electricity</b>									
Hub Power Company Limited	389,097	300,000	-	395,000	294,097	17,951	17,275	(676)	1.15
K-Electric Limited (Formerly Karachi Electric Supply Company Limited)	-	1,650,000	-	-	1,650,000	14,741	14,009	(732)	0.93
Kohinoor Energy Limited	75,000	-	-	10,000	65,000	2,437	2,692	255	0.18
Pakgen Power Limited	-	250,000	-	250,000	-	-	-	-	-
									<b>2.26</b>
<b>Multiutilities (Gas and water)</b>									
Sui Northern Gas Pipeline Limited	-	400,000	-	-	400,000	9,244	9,060	(184)	0.60
<b>Total</b>						<b>736,308</b>	<b>816,464</b>	<b>80,156</b>	
<b>Total cost of investments</b>							<b>703,569</b>		

5.1.1.2 All shares have a face value of Rs 10 each except for the shares of Thal Limited which have a face value of Rs 5 each.

5.1.1.3 100,000 shares of Oil and Gas Development Company Limited, having market value of Rs 26.128 million as at June 30, 2014 (June 30, 2013: Rs. 22.875 million) have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark-to-market losses.

#### 5.1.1.4 Held for trading - Sukuk certificates

Name of the Security	Maturity	Profit rate	As at July 01, 2013	Purchases during the year	Sales / Matured during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain as at June 30, 2014	Percentage of market value of total investment
			-----Number of certificates-----			----- (Rupees in '000) -----			%	
GoP Ijarah Sukuk Certificates - V	November 15, 2013	Weighted Average 6 months T-Bills	20	-	20	-	-	-	-	-
GoP Ijarah Sukuk Certificates - IX (Note 5.1.1.5)	December 26, 2014	Weighted Average 6 months T-Bills	950	-	450	500	50,000	50,640	640	3.38
GoP Ijarah Sukuk Certificates - XI (Note 5.1.1.5)	April 30, 2015	Weighted Average 6 months T-Bills	600	-	-	600	60,000	61,314	1,314	4.09
GoP Ijarah Sukuk Certificates - XII (Note 5.1.1.5)	June 28, 2015	Weighted Average 6 months T-Bills	1,750	-	600	1,150	115,000	118,255	3,255	7.89
GoP Ijarah Sukuk Certificates - XIV	March 28, 2016	Weighted Average 6 months T-Bills	250	-	250	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XV (Note 5.1.1.5)	June 25, 2017	Weighted Average 6 months T-Bills	-	690	-	690	69,000	69,000	-	4.60
<b>Total</b>							<b>294,000</b>	<b>299,209</b>	<b>5,209</b>	
<b>Total cost of investments</b>							<b>294,000</b>			

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

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

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Shares of listed companies	5.1.2.1	<b>40,169</b>	24,169
Sukuk certificates	5.1.2.2	<b>49,957</b>	160,050
		<b>90,126</b>	<b>184,219</b>

#### 5.1.2.1 Investments - 'at fair value through profit or loss upon initial recognition' - Shares of listed companies

Name of the investee company	As at July 01, 2013	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain as at June 30, 2014	Percentage of market value of total investment
	-----Number of shares-----					----- (Rupees in '000) -----			%
<b>Sector / Companies</b>									
<b>Automobile and parts</b>									
Indus Motor Company Limited	50,055	-	-	-	50,055	15,567	26,926	11,359	1.80
<b>Banks</b>									
Meezan Bank Limited (an associate company of the Fund)	277,593	-	-	-	277,593	8,050	12,003	3,953	0.80
<b>General industrials</b>									
Packages Limited	2,473	-	-	-	2,473	552	1,240	688	0.08
<b>Total</b>						<b>24,169</b>	<b>40,169</b>	<b>16,000</b>	
<b>Total cost of investments</b>							<b>12,894</b>		

### 5.1.2.2 Investments - 'at fair value through profit or loss upon initial recognition' - Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2013	Purchases during the year	Redemptions during the year	As at June 30, 2014	Carrying value as at June 30, 2014*	Market value as at June 30, 2014	Unrealised loss as at June 30, 2014	Percentage of market value of total investments
			-----Number of certificates-----			----- (Rupees in '000) -----			%	
<b>Secured</b>										
Engro Fertilizer Pakistan Limited (note 5.1.2.3)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	10,000	-	-	10,000	50,051	49,957	(94)	3.33
Security Leasing Corporation Limited II* (note 5.1.2.3 & 5.1.2.4)	January 19, 2022	Nil	1,743	-	186	1,557	-	-	-	-
Eden Housing Limited* (note 5.1.2.3 & 5.1.2.4)	September 29, 2014	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	-	-	-	-
Arzoo Textile Mills Limited* (note 5.1.2.3 & 5.1.2.4)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	-	-	-	-
<b>Total</b>							<u>50,051</u>	<u>49,957</u>	<u>(94)</u>	
<b>Total cost of investments</b>								<u>85,238</u>		

\* In case of debt securities against which provision has been made, these are carried at amortised cost less provision.

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

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

Name of the investee company	Type of investments	Value of investment before provision	Provision held as at June 30, 2014	Value of investment after provision	Percentage of net assets	Percentage of total assets
		----- (Rupees in '000) -----			----- % -----	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	25,000	25,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	4,922	4,922	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	7,786	7,786	-	-	-
		<u>37,708</u>	<u>37,708</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 5.1.2.5 Provision on sukuk certificates

Opening  
Provision for the year - net  
Closing

Note  
2014  
2013  
(Rupees in '000)

21,403	20,796
16,305	607
<u>37,708</u>	<u>21,403</u>

### 5.2 Investments - 'available for sale'

Shares of listed companies  
Sukuk certificates

5.2.1  
5.2.2

293,394	398,328
-	-
<u>293,394</u>	<u>398,328</u>

## 5.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2013	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain / (loss) as at June 30, 2014	Percentage of market value of total investment
	-----Number of shares-----					----- (Rupees in '000) -----			%
<b>Sector / Companies</b>									
<b>Automobile and parts</b>									
Indus Motor Company Limited	16,075	-	-	5,000	11,075	2,422	5,957	3,535	0.40
Pakistan Suzuki Motor Company Limited	11,260	-	-	-	11,260	833	3,084	2,251	0.21
<b>Banks</b>									
Meezan Bank Limited (an associate of the Fund)	101,207	-	-	100,000	1,207	17	52	35	0.00
BankIslami Pakistan Limited	500	-	-	-	500	2	5	3	0.00
									<b>0.00</b>
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	3,377	-	-	-	3,377	120	134	14	0.01
Fauji Fertilizer Company Limited	30,599	-	-	-	30,599	2,465	3,435	970	0.23
ICI Pakistan Limited	7,921	-	-	-	7,921	999	3,092	2,093	0.21
									<b>0.45</b>
<b>Construction and materials (Cement)</b>									
Attock Cement Pakistan Limited	40,250	-	37	40,000	287	11	45	34	0.00
DG Khan Cement Company Limited	383,249	-	-	-	383,249	15,092	33,711	18,619	2.25
Lucky Cement Limited	57,451	-	-	50,000	7,451	887	3,057	2,170	0.20
									<b>2.45</b>
<b>Electricity</b>									
Hub Power Company Limited	1,554,050	-	-	290,000	1,264,050	46,726	74,250	27,524	4.95
<b>General Industrials</b>									
Packages Limited	-	150,000	-	-	150,000	77,511	75,236	(2,275)	5.02
<b>Oil and gas</b>									
Oil and Gas Development Company Limited (note 5.1.1.3)	395,666	-	-	50,000	345,666	47,237	90,316	43,079	6.02
Pakistan Oilfields Limited	132,250	-	-	132,250	-	-	-	-	-
Pakistan Petroleum Limited	153,790	-	30,758	180,000	4,548	558	1,020	462	0.07
Pakistan State Oil Company Limited	155,804	-	15,580	171,384	-	-	-	-	-
									<b>6.09</b>
<b>Total</b>						<b>194,880</b>	<b>293,394</b>	<b>98,514</b>	
<b>Total cost of investments</b>							<b>194,880</b>		

## 5.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2013	Purchases during the year	Matured during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised gain as at June 30, 2014	Percentage of market value of total investment
			-----Number of certificates-----				----- (Rupees in '000) -----			%
Kot Addu Power Company Limited - Sukuk	January 22, 2014	6 months Kibor plus base rate of 1.1%	-	20,000	20,000	-	-	-	-	-
Lalpir Power - Sukuk	April 14, 2014	6 months Kibor plus base rate of 1.15%	-	25,000	25,000	-	-	-	-	-
Hub Power Company Limited - Sukuk	September 12, 2013	6 months Kibor plus base rate of 1.25%	20,000	-	20,000	-	-	-	-	-
<b>Grand total</b>										
<b>Total cost of investments</b>										

	Note	2014 (Rupees in '000)	2013
<b>5.2.3 Net unrealised (diminution) / appreciation on re-measurement of investment classified as 'available for sale'</b>			
Market value of investments		<b>293,394</b>	398,328
Less: Cost of investments		<b>194,880</b>	225,699
		<b>98,514</b>	172,629
Less: Net unrealised appreciation on re-measurement of investments classified as 'available for sale' at beginning of the period (net of impairment)		<b>172,629</b>	55,050
		<b>(74,115)</b>	117,579
Impairment loss on listed equity securities classified as 'available for sale' - transferred to income statement		-	-
		<b>(74,115)</b>	117,579
<b>6. DEPOSITS AND OTHER RECEIVABLES</b>			
Security deposits		<b>2,800</b>	2,800
Profit receivable on saving accounts with banks		<b>5,858</b>	3,466
Profit receivable on sukuk certificates		<b>3,139</b>	6,843
		<b>11,797</b>	13,109
<b>7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company</b>			
Management fee	7.1	<b>3,138</b>	2,911
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	<b>5,863</b>	744
Sales load payable		<b>178</b>	-
Sindh Sales Tax and Federal Excise Duty payable on sales load	7.2 & 7.3	<b>378</b>	-
		<b>9,557</b>	3,655

**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 two percent per annum of the average annual net assets of the Fund.

**7.2** 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.

**7.3** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and the Honourable High Court Sindh in a Constitutional petition relating to levy of Federal Excise Duty (FED) on Mutual Fund has granted stay order for the recovery of Federal Excise Duty (FED). As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 3.64 million had the provision not being made, the Net Asset Value per unit of the Fund as at June 30, 2014 would have been higher by Rs. 0.03 per unit.

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

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

The remuneration of the Trustee for the year ended June 30, 2014 has been calculated as per the following applicable tariff:

<b>Net assets</b>	<b>Tariff</b>
From Rs 1 million to Rs 1,000 million	Rs. 0.7 million or 0.20% p.a. of 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.

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

This represents annual fee payable to SECP. Fee at the rate of 0.085 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.

	<b>Note</b>	<b>2014</b>	<b>2013</b>
<b>10. ACCRUED EXPENSES AND OTHER LIABILITIES</b>		<b>(Rupees in '000)</b>	
Auditors' remuneration		<b>369</b>	340
Charity payable	10.1	<b>1,063</b>	4,003
Provision for Worker Welfare Fund (WWF)	12	<b>29,047</b>	20,735
Brokerage		<b>733</b>	269
Others		<b>614</b>	404
		<b>31,826</b>	25,751

**10.1** According to the instructions of the shariah advisor, any income earned by the Fund from investments whereby portion of the investment of such investments has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.063 million (2013: Rs 4.003 million) is outstanding in this regard after making charity payments of Rs 4.003 million (2013: Rs 0.600 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

There are no contingencies and commitments outstanding as at June 30, 2014.

## 12. WORKERS' WELFARE FUND (WWF)

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 decisions of SHC ( in against) and LHC ( in favour) are pending before Supreme Court. However, the Management Company as a matter of abundant caution has recognised WWF amounting to Rs. 29.047 million which includes Rs. 8.312 million pertaining to the current year and Rs. 20.735 million pertaining to prior years. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.20 (1.50%).

	Note	2014 (Rupees in '000)	2013
<b>13. AUDITORS' REMUNERATION</b>			
Statutory Audit fee		307	240
Half yearly review fee		114	100
Other certifications		110	100
Out of pocket expenses		30	40
		<u>561</u>	<u>480</u>
<b>14. NUMBER OF UNITS IN ISSUE</b>			
The movement in number of units in issue during the year is as follows:			
Total number of units at the beginning of the year		-	-
Units issued against cancellation of certificates	14.1	120,000,000	-
Units issued during the year		26,201,343	-
Bonus units issued during the year		21,226,196	-
Units redeemed during the year		(22,817,428)	-
Total number of units		<u>144,610,111</u>	<u>-</u>

14.1 The certificates amounting Rs. 120 billion were outstanding in the year 2013 and were replaced by the same number of units on July 1, 2013.

#### 15. 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 reports reviewed by this committee for taking strategic decisions.

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

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

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



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

For the year ended June 30, 2014			
	Equity sub-portfolio	Debt sub-portfolio	Total
------(Rupees in '000)-----			
Profit on sukuk certificates	-	46,644	46,644
Dividend income	51,896	-	51,896
Net realised gain on sale of investments	220,011	11,824	231,835
Brokerage	(1,351)	(13)	(1,364)
Unrealised gain on re-measurement of investments 'at fair value through profit or loss'	101,271	-	101,271
Provisions against non performing debt securities (net)	-	(16,305)	(16,305)
<b>Total net segment income</b>	<b>371,827</b>	<b>42,150</b>	<b>413,977</b>
<b>Total segment assets</b>	<b>1,151,180</b>	<b>352,305</b>	<b>1,503,485</b>
<b>Total segment liabilities</b>	<b>1,994</b>	<b>-</b>	<b>1,994</b>

For the year ended June 30, 2014			
	Equity sub-portfolio	Debt sub-portfolio	Total
------(Rupees in '000)-----			
<b>Total segment assets include:</b>			
Investments - 'fair value through profit or loss'	856,633	349,166	1,205,799
Investments - 'available for sale'	293,394	-	293,394
Dividend receivable	1,153	-	1,153
Profit receivable on sukuk certificates	-	3,139	3,139
	<b>1,151,180</b>	<b>352,305</b>	<b>1,503,485</b>

For the year ended June 30, 2014			
	Equity sub-portfolio	Debt sub-portfolio	Total
------(Rupees in '000)-----			
<b>Total segment liabilities include:</b>			
Charity payable	1,063	-	1,063
Brokerage Payable	733	-	733
Others	198	-	198
	<b>1,994</b>	<b>-</b>	<b>1,994</b>

For the year ended June 30, 2013			
	Equity sub-portfolio	Debt sub-portfolio	Total
------(Rupees in '000)-----			
Profit on sukuk certificates	-	63,473	63,473
Dividend income	67,498	-	67,498
Net realised gain on sale of investments	114,743	1,150	115,893
Brokerage	(1,012)	(21)	(1,033)
Impairment loss on 'available for sale' investments	(4,028)	-	(4,028)
Unrealised gain on re-measurement of investments 'at fair value through profit or loss'	136,041	-	136,041
Provisions against non performing debt securities (net)	-	(607)	(607)
<b>Total net segment income</b>	<b>313,242</b>	<b>63,995</b>	<b>377,237</b>
<b>Total segment assets</b>	<b>977,884</b>	<b>523,893</b>	<b>1,501,777</b>
<b>Total segment liabilities</b>	<b>13,253</b>	<b>-</b>	<b>13,253</b>

For the year ended June 30, 2013		
Equity sub-portfolio	Debt sub-portfolio	Total

------(Rupees in '000)-----

**Total segment assets include:**

Investments - 'fair value through profit or loss'	578,582	517,050	1,095,632
Investments - 'available for sale'	398,328	-	398,328
Dividend receivable	974	-	974
Profit receivable on sukuk certificates	-	6,843	6,843
	<u>977,884</u>	<u>523,893</u>	<u>1,501,777</u>

**Total segment liabilities include:**

Payable against purchase of investments	8,921	-	8,921
Charity payable	4,003	-	4,003
Brokerage payable	269	-	269
Others	60	-	60
	<u>13,253</u>	<u>-</u>	<u>13,253</u>

There were no transactions between reportable segments.

The Fund's administration and management fees are not considered to be segment expenses.

A reconciliation of total net segmental income to total income is provided as follows:

	2014	2013
	(Rupees in '000)	
Total net segment income	<b>413,977</b>	377,237
Profit on saving accounts with banks	<b>25,089</b>	10,012
Other Income	<b>33,833</b>	-
Expenses	<b>(65,619)</b>	(64,391)
<b>Net Income for the year</b>	<b><u>407,280</u></b>	<u>322,858</u>

The amounts provided to the investment committee with respect to total assets are measured in a manner consistent with International Accounting Standards as applicable in Pakistan, except for investments, which are based on the quoted market prices at the close of the trading in case of listed securities and in case of unlisted securities on the basis of the values quoted by MUFAP. The Fund's other receivables 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:

	2014	2013
	(Rupees in '000)	
Segment assets for reportable segments	<b>1,503,485</b>	1,501,777
Balances with banks	<b>470,857</b>	296,693
Deposits and other receivables	<b>8,671</b>	6,266
<b>Total assets</b>	<b><u>1,983,013</u></b>	<u>1,804,736</u>

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

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

	2014	2013
	(Rupees in '000)	
Segment liabilities for reportable segments	1,994	13,253
Accrued expenses	29,832	21,419
Others	20,701	22,584
<b>Total liabilities</b>	<b>52,527</b>	<b>57,256</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, directors and officers of the Management Company, Meezan Islamic Fund, Al Meezan Mutual Fund, KSE Meezan Index Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Cash Fund, Meezan Capital Protected Fund - II, Meezan Financial Planning Fund of Funds, Meezan Capital Preservation Fund -III, Meezan Capital Preservation Fund -II and Meezan Tahaffuz Pension Fund being the funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company and Al Meezan Investment Management Limited - Staff Gratuity Fund and unitholders holding 10% or more units of the 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, 2003 NBFC Regulations, 2008 and the Trust Deed respectively.

Details of transactions with connected persons and balances with them for the year ended June 30, 2014 and as of that date along with the comparative are as follows:

	2014	2013
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	3,138	2,911
Sindh Sales Tax and Federal Excise Duty payable on management fee	5,863	744
Sales load payable	178	-
Sindh Sales Tax and Federal Excise Duty payable on sales load	378	-
Investment of 5,380,968 units (June 30, 2013: 4,596,824 certificates)	71,836	59,667
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	239	156
Deposits	300	300
<b>Meezan Bank Limited</b>		
Bank balance	28,783	13,736
Investment in 952,300 shares (June 30, 2013: 378,800 shares)	41,177	10,985
Investment of 18,886,746 units (June 30, 2013: 16,134,468 certificates)	252,138	209,425
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 11,057,791 units (June 30, 2013: 11,057,791 certificates)	147,622	143,530
<b>Al Meezan Investment Management Limited - Staff Gratuity Fund</b>		
Investment of 379,357 units (June 30, 2013: 324,075 certificates)	5,064	4,206
<b>Directors and Executives of the Management Company</b>		
Investment of 2,085,618 units (June 30, 2013: 184,975 certificates)	27,843	2,401

**For the year ended  
June 30**

**2014                      2013**

**(Rupees in '000)**

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

Remuneration for the year	34,473	31,924
Sindh Sales Tax and Federal Excise Duty on management fee	11,769	5,386
Purchase: nil units (2013: 775,000 certificates)	-	9,571
Cash dividend for the year	6,895	8,734
Bonus units issued: 784,144 units (2013: nil units)	10,343	-

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

Remuneration for the year	2,724	1,752
Charges for the year	152	144

**Meezan Bank Limited**

Profit on saving account	3,822	28
Cash dividend paid during the year	24,202	30,655
Cash dividend income during the year	708	-
Bonus units issued: 2,752,278 units (2013: nil units)	36,303	-

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

Cash dividend for the year	16,587	21,010
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**Al Meezan Investment Management Limited - Staff Gratuity Fund**

Purchase: nil units (2013: 232,500 certificates)	-	2,760
Cash dividend for the year	486	616
Bonus units issued: 55,282 units (2013: nil units)	729	-

**Directors and Executives of the Management Company**

Cash dividend for the year	277	332
Units issued: 1,750,350	25,918	-
Units redeemed: 153,549	2,142	-
Bonus units issued: 303,842 units (2013: nil units)	4,009	-

**17. FINANCIAL INSTRUMENTS BY CATEGORY**

	2014				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)

**On balance sheet - financial assets**

Balances with banks	470,857	-	-	-	470,857
Investments	-	1,205,799	293,394	-	1,499,193
Dividend receivable	1,153	-	-	-	1,153
Receivable against sale of investments	13	-	-	-	13
Deposits and other receivables	11,797	-	-	-	11,797
	<u>483,820</u>	<u>1,205,799</u>	<u>293,394</u>	<u>-</u>	<u>1,983,013</u>

**On balance sheet - financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	9,557	9,557
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	239	239
Unclaimed dividend	-	-	-	7,366	7,366
Brokerage payable	-	-	-	733	733
Accrued expenses and other liabilities	-	-	-	2,046	2,046
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,941</u>	<u>19,941</u>

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	296,693	-	-	296,693
Investments	-	1,095,632	398,328	1,493,960
Dividend receivable	974	-	-	974
Deposits and other receivables	13,109	-	-	13,109
	<u>310,776</u>	<u>1,095,632</u>	<u>398,328</u>	<u>1,804,736</u>
<b>On balance sheet - financial liabilities</b>				
Payable to Al Meezan Investment Management Limited - Management Company	-	-	3,655	3,655
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	156	156
Payable against purchase of investments	-	-	8,921	8,921
Unclaimed dividend	-	-	17,417	17,417
Brokerage payable	-	-	269	269
Accrued expenses and other liabilities	-	-	4,747	4,747
	<u>-</u>	<u>-</u>	<u>35,165</u>	<u>35,165</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 unit holder 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:

### 18.1 Market risk

#### 18.1.1 Price risk

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

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

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

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

The Fund's policy also limits individual equity securities to not more than 15% of net assets.

The net assets of the Fund will increase / decrease by approximately Rs 11.5 million (2013: decrease / increase approximately Rs 9.769 million) if the prices of equity instrument 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 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 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### 18.1.2 Interest rate risk

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

#### *Cash flow interest rate risk*

The company's interest rate risk arises from the balances in saving accounts and investment in debt securities. At June 30, 2014, 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 8.131 million (2013: approximately Rs 8.057 million) mainly as a result of finance income.

#### *Fair value interest rate risk*

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

### 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 to perform as contracted.

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

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

	2014	2013
	.....(%).....	
Government guaranteed	<b>85.69</b>	69.05
AA+	-	19.34
A+	-	9.68
A-	<b>14.31</b>	-
Non-rated	-	1.93
	<b>100.00</b>	<b>100.00</b>

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

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

	2014	2013
	.....(%).....	
AA+	5.83	18.99
AA	6.50	8.19
A	87.67	72.82
	<b>100.00</b>	<b>100.00</b>

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, 2014 along with comparative is tabulated below:

	2014	2013
	(Rupees in '000)	
<b>Financial assets exposed to credit risk</b>		
Balances with banks	470,857	296,693
Investments	49,957	160,050
Dividend receivable	1,153	974
Deposits and other receivables	8,658	6,266
	<b>530,625</b>	<b>463,983</b>

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 289.57 million as on June 30, 2014 (2013 : Rs 262.12 million). However, no such borrowing has been obtained during the year.

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

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the Fund does not expect non-performance by these counter parties on their obligations to the Fund except for Arzoo Textiles Limited sukuk, Eden Housing Limited sukuk and Security Leasing Corporation Limited II sukuk which have been fully written off as disclosed in note 5.1.2.2 & 5.1.2.4.

### 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 investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

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

In addition to Unitholders' fund, analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2014 along with comparative is tabulated below:

	2014				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	9,557	-	-	-	9,557
Payable to Central Depository Company of Pakistan Limited - Trustee	239	-	-	-	239
Brokerage payable	733	-	-	-	733
Unclaimed Dividend	7,366	-	-	-	7,366
Accrued expenses and other liabilities	2,046	-	-	-	2,046
	<b>19,941</b>	-	-	-	<b>19,941</b>

	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	3,655	-	-	-	3,655
Payable to Central Depository Company of Pakistan Limited - Trustee	156	-	-	-	156
Payable against purchase of investments	8,921	-	-	-	8,921
Brokerage payable	269	-	-	-	269
Unclaimed dividend	17,417	-	-	-	17,417
Accrued expenses and other liabilities	4,747	-	-	-	4,747
	<b>35,165</b>	-	-	-	<b>35,165</b>

## 19. UNITHOLDERS' FUND RISK MANAGEMENT

The unit holders' 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 Unit Holders' Fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the Fund.

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

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.

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

The following table presents the assets that are measured at fair value as at June 30, 2014:

Assets	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Investments - 'at fair value through profit or loss'</b>				
<b>Financial assets held for trading</b>				
- Equity securities	816,464	-	-	816,464
- Debt securities	-	299,209	-	299,209
<b>Financial assets designated as 'at fair value through profit or loss' upon initial recognition</b>				
- Equity securities	40,169	-	-	40,169
- Debt securities	-	49,957	-	49,957
<b>Investments - 'available for sale' Financial assets available for sale</b>				
- Equity securities	293,394	-	-	293,394
	<u>1,150,027</u>	<u>349,166</u>	<u>-</u>	<u>1,499,193</u>

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>				
<b>Financial assets held for trading</b>				
- Equity securities	554,413	-	-	554,413
- Debt securities*	-	-	-	-
<b>Financial assets designated as 'at fair value through profit or loss' upon initial recognition</b>				
- Equity securities	24,169	-	-	24,169
- Debt securities*	-	150,051	9,999	160,050
<b>Investments - 'available for sale' Financial assets available for sale</b>				
- Equity securities	398,328	-	-	398,328
	<u>976,910</u>	<u>150,051</u>	<u>9,999</u>	<u>1,136,960</u>

\* GoP Ijarah Sukuks have been carried at cost in the year 2013.

The following table presents the movement in level 3 instruments:

	Debt Securities	
	2014	2013
(Rupees in '000)		
Opening balance	9,999	14,089
Sales / redemptions	(4,375)	(3,483)
Provision / reversal against sukuk certificates (net)	(16,305)	(607)
Gains and losses recognised in income statement	10,681	-
Closing balance	-	9,999

## 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 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 at least 90 percent of the Fund's accounting income for the year ending June 30, 2014 as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present there in				
		8-Jul-13	23-Aug-13	25-Oct-13	11-Feb-14	29-Apr-14
Mr. Ariful Islam	Chairman	No	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Independent Director	No	Yes	No	Yes	No
Mr. Salman Sarwar Butt	Independent Director	Yes	Yes	Yes	Resigned	Resigned
Mr. Tasnimul Haq Farooqui	Nominee Director	Yes	No	Yes	Yes	Yes
Mr. Mazhar Sharif	Nominee Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali	Nominee Director	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Nominee Director	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoab	Chief Executive	Yes	Yes	Yes	Yes	Yes

## 23 TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

<b>Broker's Name</b>	<b>2014</b>
	%
IGI Finex Limited	<b>15.64</b>
BMA Capital Management Limited	<b>13.19</b>
Fortune Securities (Private) Limited	<b>10.98</b>
Optimus Capital Management (Private) Limited	<b>7.60</b>
Arif Habib Securities Limited	<b>7.15</b>
Global Capital Limited	<b>6.59</b>
Foundation Securities (Private) Limited	<b>5.85</b>
Shajar Capital Pakistan (Private) Limited	<b>5.34</b>
Topline Securities Limited	<b>4.62</b>
JS Global Capital Limited	<b>4.51</b>
	2013
	%
<b>Broker's Name</b>	
Optimus Capital Management (Private) Limited (formerly Invisor Securities (Private) Limited)	12.07
Elixir Securities Pakistan (Private) Limited	11.87
Shajar Capital Pakistan (Private) Limited	10.17
KASB Securities Limited	9.16
Ample Securities (Private) Limited	8.92
Foundation Securities (Private) Limited	6.62
Fortune Securities (Private) Limited	5.96
JS Global Capital Limited	5.85
Habib Metro Financial Services Limited	5.67
BMA Capital Management Limited	4.65

## 24. PERFORMANCE TABLE

	<b>2014</b>	2013	2012	2011	2010
Net assets (Rupees in '000) (ex-distribution)	<b>1,930,486</b>	1,747,480	1,307,043	1,313,432	1,277,711
Net assets value per unit / certificate as at June 30 (Rupees) (ex-distribution)	<b>13.35</b>	14.56	10.89	10.95	10.65
<b>Distribution</b>					
- Final	<b>15.00%</b>	19.00%	17.50%	5.50%	-
- Interim	<b>22.50%</b>	-	-	-	10.00%
Dates of distribution (annual)	<b>May 30, 2014</b>	July 8, 2013	September 14, 2011	October 20, 2010	October 20, 2009
Distribution - Cash Dividend (Rupees in '000')	<b>180,000</b>	228,000	210,000	66,000	120,000
Distribution - Bonus Units (Rupees in '000')	<b>279,974</b>	-	-	-	-
Highest NAV per unit / certificate (Rupees)	<b>15.69</b>	15.01	13.12	12.82	11.56
Lowest NAV per unit / certificate (Rupees)	<b>12.95</b>	12.06	11.06	10.67	9.52
Total return	<b>20.00%</b>	31.84%	16.80%	25.38%	22.73%
Earnings per unit / certificate (Rupees)	*	2.69	2.11	1.88	2.07
Average annual return as at June 30, 2014	<b>One year 20.00%</b>	Two years 25.78%	Three years 22.71%	Four years 23.37%	Five years 23.25%

\* Earning 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.

## 25. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
1. Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty Four years
2. Mr. Mohammad Asad	Chief Investment Officer	CFA level II / MBA	Eighteen years
3. Ms. Sanam Ali Zaib	Head of Research	CFA / MBA	Ten years
4. Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Seven Years
5. Mr. Gohar Rasool	Senior Manager	MBBS	Seven Years
6. Mr. Zain Malik	Senior Manager	CFA level II / BBA	Five Years

The Fund manager of the Fund is Mr. Ahmed Hassan. The other fund managed by the Fund manager is Meezan Capital Protected Fund II.

## 26. PATTERN OF UNIT / CERTIFICATE HOLDING

As at June 30, 2014			
	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	%
Individuals	1134	754,866	39.10%
Associated companies / directors	5	471,976	24.45%
Insurance companies	6	25,598	1.33%
Banks / DFIs	4	84,728	4.39%
NBFCs	3	35,318	1.83%
Retirement funds	32	199,019	10.30%
Public limited companies	27	358,981	18.60%
<b>Total</b>	<b>1,211</b>	<b>1,930,486</b>	<b>100%</b>

As at June 30, 2013			
	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	%
Individuals	887	361,104	30.09%
Associated companies / directors	10	332,902	27.74%
Insurance companies	3	13,898	1.16%
Banks / DFIs	7	156,396	13.03%
NBFCs	4	47,410	3.95%
Retirement funds	22	83,564	6.97%
Public limited companies	18	204,726	17.06%
<b>Total</b>	<b>951</b>	<b>1,200,000</b>	<b>100%</b>


## 27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 28, 2014 by the Board of Directors of the Management Company.

## 28. GENERAL

The Fund was converted to open-end scheme with effect from July 1, 2013 and therefore 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, 2014

Units held by	Units Held	%
<b>Associated companies</b>		
-Meezan Bank Limited	18,886,746	13.06
-Pakistan Kuwait Investment Company (Pvt) Ltd.	11,057,792	7.65
-Al-Meezan Investment Management Ltd	5,380,967	3.72
- Al-Meezan Investment Management Ltd Staff Gratuity Fund	379,357	0.26
<b>Directors</b>		
-Mr. Ariful Islam	1,968,029	1.36
-Syed Amir Ali	14,632	0.01
<b>Chief Executive</b>		
-Mohammad Shoaib, CFA	15,188	0.01
<b>Executives</b>	87,769	0.06
<b>Bank &amp; Financial Institution</b>	6,346,905	4.39
<b>Individuals</b>	54,489,649	37.68
<b>Retirement funds</b>	14,528,983	10.05
<b>Other corporate sector entities</b>	30,666,458	21.21
<b>Non-Profit Organization</b>	787,636	0.54
<b>Total</b>	<b>144,610,111</b>	<b>100</b>



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