



Meezan Balanced Fund

MEEZAN BALANCED FUND (MBF)

Meezan Balanced Fund is Pakistan's first Shariah compliant balanced scheme. It seeks to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested in both high quality Shariah compliant equity securities and income instruments.





FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. Moïn M. Fudda	Chairman
Mr. Arshad Majeed	Member
Mr. Naeem Abdul Sattar	Member

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

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

LEGAL ADVISER

Bawaney & Partners
3rd & 4th floor, 58-C, Lane-13, Bokhari Commercial Area, Phase VI, DHA, Karachi.
Phone: (9221) 3515619-94 Fax: (9221) 35156195
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

Meezan Bank Limited
Meezan House,
C-25, Estate Avenue, SITE, Karachi.
Phone: 3810 3538 Fax: 3840 6017
Website: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited





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

Type of Fund

Balanced category fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products.

Objective

The objective of MBF is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic fixed income avenues such as Sukuks (Islamic Bonds), Musharaka and Murabaha instruments, Shariah compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits, and other Islamic income products.

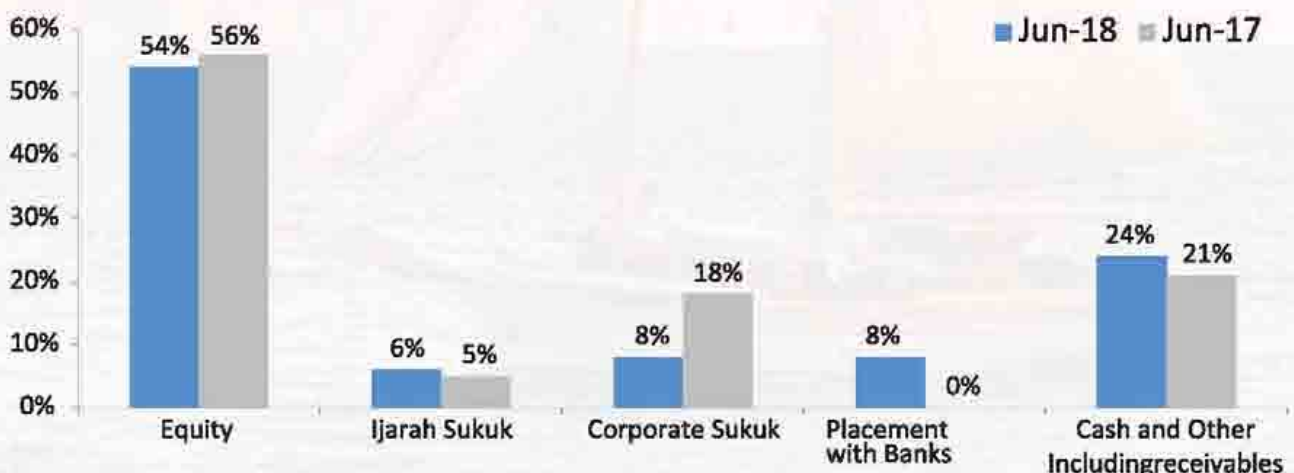
The fund invests only in Shariah Compliant instruments with the objective of maximizing total return to its unit holders and maintaining risks within acceptable levels. The fund also has a focus of long term preservation of capital and aims to maximize total returns by varying fund's allocations to fixed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

Strategy and Investment Policy

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

During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum, the fund manager over the period kept the duration of the fixed income portfolio below six months.

Sector Allocation as on June 30th 2017 and 2018



During FY18, the fund maintained significant exposure to Cement, Oil & Gas, Fertilizer and Paper & Board sectors because of better prospects of these sectors. The average equity exposure in the fund during the year was 55% while the remaining was deployed in quality fixed income instruments.

Top Holdings

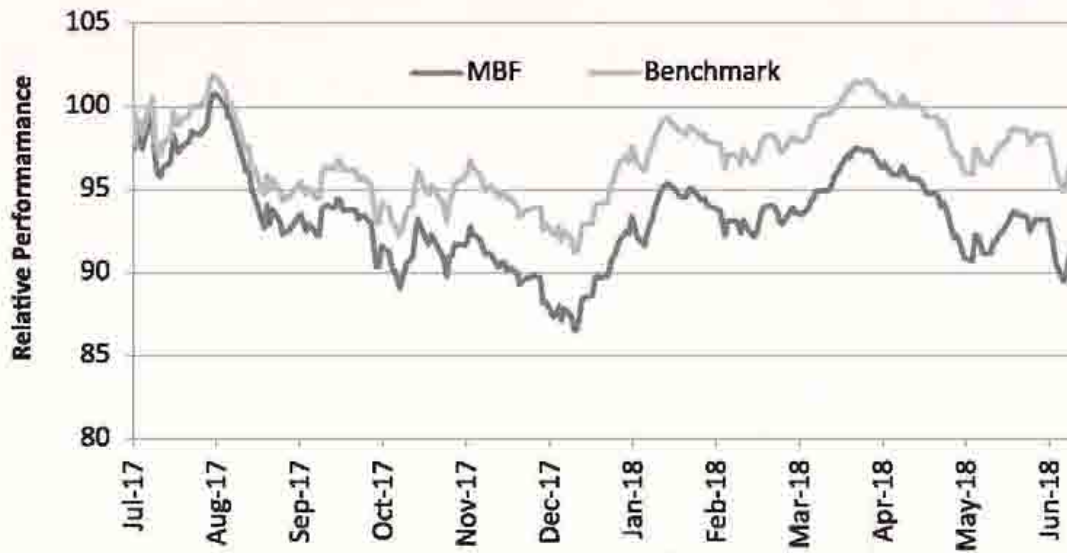


Performance Review

During FY18, Meezan Balanced Fund (MBF) provided a negative return of 8.95% to its investors compared to benchmark return of negative 4.21%.

MBF posted a total loss of Rs. 561 million in the fiscal year 2018 as compared to a total income of Rs. 974 million last year. Total loss comprised of realized and unrealized loss on investments of Rs. 313 million and Rs. 728 million respectively. Dividend income contributed Rs. 245 million to income, while profit on saving accounts with banks including profit on term deposit receipts amounted to Rs. 120 million. Profit on Sukuks certificates was Rs. 115 million. After accounting for expenses of Rs. 228 million, the Fund posted a net loss of Rs. 789 million. The net assets of the Fund as at June 30, 2018 were Rs. 7,843 million as compared to Rs. 9,516 million at the end of last year depicting a decrease of 17.58%. The net asset value per unit as at June 30, 2018 was Rs. 15.44 as compared to Rs. 16.95 per unit as on June 30, 2017.

NAV (Dividend Adjusted)	30-Jun-18	30-Jun-17	Change
Meezan Balanced Fund	15.44	16.95	-8.95%
Benchmark Returns (Inputs)			
KMI 30	71,060	78,598	-9.59%
Average Yield on Islamic Bank Deposits (annualized)			2.44%
Benchmark Return			-4.21%
Outperformance			-4.74%



Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2018 an amount of Rs. 3.69 million was accrued as charity payable.

Distributions

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

Summary of Actual Proxy Voted By the Fund

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

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

Breakdown of unit holdings by size

(As on June 30, 2018)

Range (Units)	No. of Investors
1 - 9,999	3,194
10,000 - 49,999	1,486
50,000 - 99,999	604
100,000 - 499,999	516
500,000 and above	144
Total	5,944



Meezan Bank
The Premier Islamic Bank

Report of the Shari'ah Advisor –Meezan Balanced Fund

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

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

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

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

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	25.46%	4.60%	39%	63.81	162.79
Engro Corporation Ltd	Fertilizer	29.53%	21.57%	3.03%	65%	(75.29)	
Pakistan State Oil**	Oil & Gas Marketing Companies	20.44%	0.57%	0.33%	19%	119.42	293.11
Lucky Cement	Cement	10.50%	0.00%	3.23%	68%	(231.74)	
Pakistan Oil Fields	Oil & Gas Exploration Companies	0.00%	0.01%	2.00%	72%	(40.74)	

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

** All interest based debts.

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



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

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

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

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal,
Karachi - 74400, Pakistan.

Tel: (92-21) 111-111-500

Fax: (92-21) 34326020 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN BALANCED FUND

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

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

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

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

Karachi, September 25, 2018





Meezan
Balanced Fund

A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Meezan Balanced Fund

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

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

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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■ KARACHI ■ LAHORE ■ ISLAMABAD

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p>	
2	<p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 6,205 million and balances with banks aggregated to Rs 1,683 million.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; ▪ Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirement

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

Other Matter

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

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


Chartered Accountants

Karachi

Date: September 19, 2018




STATEMENT OF ASSETS AND LIABILITIES

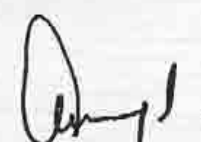
AS AT JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
Assets			
Balances with banks	4	1,682,989	1,842,313
Investments	5	6,204,967	7,504,175
Receivable against conversion of units		13,311	444,069
Dividend receivable		14,017	19,039
Receivable against sale of investments		-	1,851
Advances, deposits and other receivables	6	63,124	74,354
Total assets		7,978,408	9,885,801
Liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	7	18,002	29,352
Payable to the Central Depository Company of Pakistan Limited - Trustee	8	831	993
Payable to the Securities and Exchange Commission of Pakistan	9	7,166	6,210
Payable to Meezan Bank Limited		307	3,050
Payable against purchase of investments		16,084	-
Payable against redemption and conversion of units		3,380	87,821
Dividend payable		8,437	87,370
Accrued expenses and other liabilities	10	81,196	154,900
Total liabilities		135,403	369,696
NET ASSETS		7,843,005	9,516,105
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		7,843,005	9,516,105
CONTINGENCIES AND COMMITMENTS	11		
NUMBER OF UNITS IN ISSUE		508,080,068	561,280,121
		(Rupees)	
NET ASSET VALUE PER UNIT		15.4366	16.9500

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

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


Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

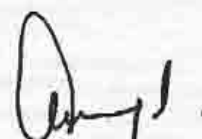
	Note	2018 (Rupees in '000)	2017
Income			
Profit on balances with banks		89,148	88,454
Dividend income		244,625	159,463
Profit on term deposit receipts		30,680	22,990
Profit on sukuk certificates		114,690	88,054
Net realised (loss) / gain on sale of investments		(313,039)	104,688
Reversal of provision for Workers' Welfare Fund (WWF)		-	37,909
Other income		289	220
		166,393	501,778
Net unrealised (diminution) / appreciation on re-measurement of investments - 'at fair value through profit or loss	5.6	(727,752)	472,090
Total (loss) / income		(561,359)	973,868
Expenses			
Remuneration of Al Meezan Investment Management Limited - Management Company	7.1	168,600	146,130
Sindh Sales Tax on remuneration of the Management Company	7.2	21,918	18,997
Allocated expenses	7.3	8,430	7,307
Selling and marketing expenses	7.4	2,347	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	8.1	9,430	8,306
Sindh Sales Tax on remuneration of the Trustee	8.2	1,226	1,080
Annual fees to the Securities and Exchange Commission of Pakistan		7,166	6,210
Brokerage expense		1,960	4,216
Auditors' remuneration	12	508	521
Fees and subscription		1,021	844
Charity expense	10.1	3,692	2,005
Printing expense		259	164
Legal and professional charges		76	103
Bank and settlement charges		1,061	1,437
Provision for Sindh Workers' Welfare Fund	10.2	-	38,656
Total expenses		227,694	235,976
Net (loss) / income from operating activities		(789,053)	737,892
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	3.10	-	494,067
Net (loss) / income for the year before taxation		(789,053)	1,231,959
Taxation	15	-	-
Net (loss) / income for the year after taxation		(789,053)	1,231,959
Allocation of net income for the year			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		-	-

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



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

	Note	2018 (Rupees in '000)	2017
Net (loss) / income for the year after taxation		(789,053)	1,231,959
Other comprehensive income for the year			
<i>Income that may be re-classified subsequently to Income Statement</i>			
Net unrealised (diminution) / appreciation in the value of investments classified as 'available-for-sale'	5.5	(65,026)	9,066
Total comprehensive (loss) / income for the year		(854,079)	1,241,025

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

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

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2018

	2018			Total
	Capital Value	Undistributed income / (loss)	Unrealised appreciation/ (diminution) on 'available for sale' investments	
	(Rupees in '000)			
Net assets at beginning of the year	7,829,313	1,559,823	126,969	9,516,105
Issue of 152,256,553 units				
- Capital value (at net asset value per unit at the beginning of the year)	2,580,749	-	-	2,580,749
- Element of income	173,991	-	-	173,991
Total proceeds on issuance of units	2,754,740	-	-	2,754,740
Redemption of 205,456,606 units				
- Capital value (at net asset value per unit at the beginning of the year)	3,482,489	-	-	3,482,489
- Element of income	91,272	-	-	91,272
Total payments on redemption of units	3,573,761	-	-	3,573,761
Total comprehensive loss for the year	-	(789,053)	(65,026)	(854,079)
Distribution during the year	-	-	-	-
Net loss for the year less distribution	-	(789,053)	(65,026)	(854,079)
Net assets at end of the year	7,010,292	770,770	61,943	7,843,005
Undistributed Income carried forward				
- Realised income		1,498,522		
- Unrealised loss		(727,752)		
		770,770		
Accounting Income available for distribution				
- Relating to capital gains		-		
- Excluding capital gains		-		

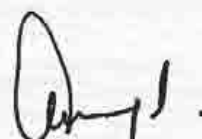
	(Rupees)
Net assets value per unit at beginning of the year	16.9500
Net assets value per unit at end of the year	15.4366
	June 30, 2017
	Rupees in '000
Capital Value	3,764,210
Undistributed Income brought forward	
- Realised	607,343
- Unrealised	336,134
Net assets at beginning of the year	4,707,687
Issuance of 498,655,554 units	8,997,498
Redemption of 234,576,828 units	(4,292,103)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	4,705,395
	(494,067)
Net realised gain on sale of investments	104,688
Unrealised appreciation in the value of investments net	481,156
Other net income for the year	655,181
Total comprehensive income for the year	1,241,025
Interim distribution for the period ended June 30, 2017 - cash dividend @ 12.5096 i.e. Rs. 1.25 per unit	(643,935)
Net income for the year less distribution	597,090
Net assets at end of the year	9,516,105
Represented by:	
Capital value	7,956,282
Undistributed Income carried forward	
- Realised income	1,087,733
- Unrealised loss	472,090
	9,516,105
	(Rupees)
Net assets value per unit at beginning of the year	15.8400
Net assets value per unit at end of the year	16.9500

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

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



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali Zaidi
Director



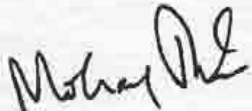
CASH FLOW STATEMENT

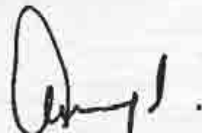
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / Income for the year before taxation		(789,053)	1,231,959
Adjustments for:			
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		727,752	(472,090)
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-	(494,067)
		727,752	(966,157)
Decrease / (increase) in assets			
Investments - net		506,430	(2,950,487)
Receivable against sale of investments		1,851	2,169
Dividend receivable		5,022	(11,468)
Advances, deposits and other receivables		11,230	(46,050)
		524,533	(3,005,836)
(Decrease) / increase in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		(11,350)	19,019
Payable to the Central Depository Company of Pakistan Limited - Trustee		(162)	459
Payable to the Securities and Exchange Commission of Pakistan		956	2,442
Payable to Meezan Bank Limited		(2,743)	1,734
Payable against purchase of investments - net		16,084	-
Accrued expenses and other liabilities		(73,704)	52,645
		(70,919)	76,299
Net cash generated from / (used in) operating activities		392,313	(2,663,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		3,185,498	8,638,355
Payments against redemption and conversion of units		(3,658,202)	(4,216,075)
Dividend paid		(78,933)	(576,564)
Net cash (used in) / generated from financing activities		(551,637)	3,845,716
Net (decrease) / increase in cash and cash equivalents		(159,324)	1,181,981
Cash and cash equivalents at the beginning of the year		1,842,313	660,332
Cash and cash equivalents at the end of the year	4	1,682,989	1,842,313

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

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


Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Meezan Balanced Fund (the Fund) was initially established as a closed-end scheme under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The registered office of the Management Company is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.

Subsequently, on May 3, 2013, SECP vide its letter No. SCD/AMCW/MBF /512/2013 had approved the conversion of the closed end structure into an open end scheme through the establishment of the Unit Trust Scheme under the name of Meezan Balanced Fund (MBF). On June 27, 2013, SECP vide its letter No SCD/AMCW/MBF/613/2013 registered MBF (the open-end scheme) as a notified entity and had withdrawn the registration of MBF as a closed end scheme with effect from the effective date i.e. July 1, 2013 and therefore from July 1, 2013, the Fund had been converted into an open end scheme and, accordingly, the certificate holders of the closed end scheme at June 30, 2013 were converted to unitholders of the open end scheme.

1.2 The Management Company has been licensed by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP.

1.3 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality Shariah compliant equity securities and Islamic income instruments such as Islamic Sukuks (certificates of Islamic investment), musharaka certificates, Government Securities, cash in bank accounts, Money Market Placements, Deposits, Certificates of Deposits, Term Deposits Receipts, Commercial Papers, Islamic alternatives of Reverse Repos, Spread Transactions, and other Shariah compliant instruments as Indicated by the SECP. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah principles. The Management Company has appointed Meezan Bank Limited as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.

1.4 The Fund is an open-end fund listed on the Pakistan Stock Exchange Limited. The Fund is categorised as a Shariah Compliant Balanced Fund in accordance with Circular 7 of 2009 issued by the SECP.

1.5 Title to the assets of the Fund are held in the name of CDC as the Trustee of the Fund.

1.6 The JCR VIS has maintained the asset manager rating of the Management Company to AM1 (2017: AM1). The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;



- Provisions of and directives issued under the Companies Act 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

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

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

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

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

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

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

2.4 Critical accounting estimates and judgments

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

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

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

2.6 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.2 Cash and cash equivalents

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

3.3 Financial assets

3.3.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available-for-sale

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

3.3.2 Regular way contracts

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

3.3.3 Initial recognition and measurement

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



3.3.4 Subsequent measurement

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

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

Basis of valuation of debt securities

The investments of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities.

Basis of valuation of government securities

The investments of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Basis of valuation of equity securities

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

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

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

b) Loans and receivables

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

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

3.3.5 Impairment

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

a) Available-for-sale financial assets

Impairment loss on equity securities

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

Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors and placed by the Management Company on its website.

b) Loans and receivables

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

3.3.6 Derecognition

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

3.3.7 Derivatives

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

3.4 Financial liabilities

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

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

3.5 Offsetting of financial assets and financial liabilities

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

3.6 Provisions

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

3.7 Net asset value per unit

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



3.8 Issue and redemption of units

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

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

3.9 Distributions to unit holders

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

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

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

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

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

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

Had the element of Income / (loss) been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 82.719 million in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

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

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are included in Income Statement and are recognised when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in other comprehensive income in the period in which they arise.
- Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Income on sukuk certificates, term deposit receipts and government securities is recognized on a time proportionate basis using the effective yield method, except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.
- Profit on saving accounts with banks is recognized on time proportion basis using the effective yield method.

3.13 Expenses

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



3.14 Taxation

Current

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

Deferred

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

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

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

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

3.15 Earnings / (loss) per unit

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

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

3.16 Foreign currency translation

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

4. BALANCES WITH BANKS	Note	2018 (Rupees in '000)	2017
Balances with banks in:			
Savings accounts	4.1	1,673,837	1,825,753
Current account		9,152	16,560
		<u>1,682,989</u>	<u>1,842,313</u>

4.1 The balances in saving accounts have expected profit rates ranging from 2.00% to 6.50% per annum (2017: 2.00% to 5.70% per annum).

5. INVESTMENTS	Note	2018 (Rupees in '000)	2017
Available-for-sale			
Listed equity securities	5.1	182,853	248,333
At fair value through profit or loss			
Held for trading	5.2	4,625,464	5,642,673
Investments			
- at fair value through profit or loss upon initial recognition	5.3	1,396,650	863,169
		<u>6,022,114</u>	<u>6,505,842</u>
Loans and receivables			
Term deposit receipts	5.4	-	750,000
		<u>6,204,967</u>	<u>7,504,175</u>
5.2 At fair value through profit or loss - held for trading			
Listed equity securities	5.2.1	4,241,333	5,059,526
Government Securities - GOP Ijarah Sukuks	5.2.2	384,131	583,147
		<u>4,625,464</u>	<u>5,642,673</u>
5.3 At fair value through profit or loss upon initial recognition			
Listed equity securities	5.3.1	1,211	35,000
Sukuk certificates	5.3.2	1,395,439	828,169
		<u>1,396,650</u>	<u>863,169</u>

5.1 Listed equity securities - Available-for-sale

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

Sector / companies

Automobile assemblers

Indus Motor Company Limited	2,075	-	-	2,075	-	-	-	-
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Commercial banks

Meezan Bank Limited (an associate of the Fund)	301	-	-	-	301	4	24	-
BankIslami Pakistan Limited	875	-	-	-	875	5	10	-

Chemicals

ICI Pakistan Limited	21	-	-	-	21	3	17	-
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Name of the investee company	As at July 01, 2017	Acquired during the year	Right Issue	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of total Investments
	(Number of shares)				(Rupees in '000)		%	
Cement								
Attock Cement Pakistan Limited	287	-	-	-	287	11	39	-
D.G. Khan Cement Company Limited	249	-	-	-	249	10	29	-
Lucky Cement Limited	7,451	-	-	-	7,451	887	3,785	0.06
Power Generation & Distribution								
The Hub Power Company Limited	1,134,050	-	-	-	1,134,050	41,921	104,514	1.68
Paper and Board								
Packages Limited	150,000	-	-	-	150,000	77,511	73,458	1.18
Oil & Gas Exploration Companies								
Pakistan Petroleum Limited	4,548	-	-	-	4,548	558	977	0.02
Total as at June 30, 2018						120,910	182,853	
Total as at June 30, 2017						121,364	248,333	

5.1.1 All shares have a face value of Rs 10 each.

5.2.1 Listed equity securities - Held for trading

Name of the investee company	As at July 01, 2017	Acquired during the year	Bonus / Right shares during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of total Investments
	(Number of shares)				(Rupees in '000)		%	
SECTOR								
Commercial banks								
Meezan Bank Limited (an associate of the Fund)	-	95,018	-	95,000	18	1	1	-
Automobile assemblers								
Ghandhara Industries Limited	-	83,300	-	7,000	76,300	57,393	53,920	0.87
Millat Tractors Company Limited	800	28,000	-	-	28,800	38,899	34,216	0.55
Indus Motor Company Limited	1,100	-	-	1,100	-	-	-	-
Pakistan Suzuki Motor Company Limited	60	-	-	-	60	47	24	-
Honda Atlas Cars (Pakistan) Limited	218,600	-	-	-	218,600	189,677	69,163	1.11
Automobile parts and accessories								
Ghandhara Nissan Limited	-	264,096	-	-	264,096	60,683	47,450	0.76
Thal Limited (note 5.2.1.1)	15,000	-	-	15,000	-	-	-	-
Cable & Electrical Goods								
Pak Elektron Limited	1,885,250	468,500	-	2,353,750	-	-	-	-
Chemicals								
Engro Polymer & Chemicals Limited	1,500,000	770,000	-	774,000	1,496,000	52,273	46,915	0.76
ICI Pakistan Limited	120,095	28,000	-	-	148,095	153,862	118,698	1.91
Lotte Chemical Pakistan Limited	-	1,000	-	-	1,000	10	12	-
Sitara Chemical Industries Limited	2,100	-	-	-	2,100	934	773	0.01
Cement								
Attock Cement Pakistan Limited	402	-	-	-	402	122	54	-
Cherat Cement Company Limited	819,000	-	-	50,000	769,000	137,482	74,770	1.21
Dewan Cement Limited	-	702,500	-	82,000	620,500	16,675	11,169	0.18
D.G. Khan Cement Company Limited	1,269,760	225,000	-	600,000	894,760	175,410	102,441	1.65
Fauji Cement Company Limited	2,236,500	50,000	-	2,282,500	4,000	155	91	-
Kohat Cement Company Limited	465,400	-	-	-	465,400	106,698	57,277	0.92
Lucky Cement Limited	510,400	25,000	-	-	535,400	442,286	271,946	4.38
Maple Leaf Cement Factory Limited	557,000	550,625	-	557,000	550,625	42,844	27,939	0.45
Pioneer Cement Limited	1,158,500	-	-	-	1,158,500	150,605	54,287	0.87
Fertilizers								
Dawood Hercules Corporation Limited	518,000	-	-	25,000	493,000	67,225	54,615	0.88
Engro Fertilizers Limited	3,140,000	100,000	-	-	3,240,000	179,270	242,708	3.91
Engro Corporation Pakistan Limited (note 5.2.1.3)	1,490,500	51,000	-	210,000	1,331,500	432,587	417,905	6.74
Fatima Fertilizer Company Limited	6,500	-	-	-	6,500	219	211	-

Name of the investee company	As at July 01, 2017	Acquired during the year	Bonus / Right shares during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of total investments
	(Number of shares)				(Rupees in '000)		%	
Technology & Communication								
Pakistan Telecommunication Company Limited "A" Systems Limited	10	-	-	10	-	-	-	-
	-	160,000	-	-	160,000	15,684	16,195	0.26
Paper & Board								
Packages Limited	230,900	-	-	23,450	207,450	144,298	101,592	1.64
Refinery								
Attock Refinery Limited	154,000	35,000	-	189,000	-	-	-	-
National Refinery Limited	60,000	15,000	-	40,000	35,000	22,948	15,505	0.25
Miscellaneous								
Shifa International Hospital Limited	29,584	-	-	29,500	84	28	23	-
Oil & Gas Exploration								
Oil and Gas Development Company Limited	2,676,400	795,000	-	50,000	3,421,400	494,070	532,438	8.58
Pakistan Oilfields Limited	380,225	28,200	-	10,000	398,425	186,323	267,658	4.31
Pakistan Petroleum Limited	489,396	495,000	-	-	984,396	169,989	211,547	3.41
Marl Petroleum Company Limited	84,250	-	-	-	84,250	132,748	126,896	2.05
Oil and Gas Marketing								
Attock Petroleum Limited	10,000	-	-	-	10,000	6,264	5,900	0.10
Pakistan State Oil Company Limited (note 5.2.1.3)	395,204	350,000	149,040	-	894,244	301,574	284,647	4.59
Hascol Petroleum Limited	151,473	30,018	-	18,000	163,491	51,005	51,297	0.83
Hi-Tech Lubricants Limited	195,400	-	-	50,000	145,400	15,850	14,732	0.24
Shell Pakistan Limited	300	-	-	300	-	-	-	-
Sul Southern Gas Company Limited	720,000	150,000	-	770,000	100,000	3,655	3,282	0.05
Sul Northern Gas Pipeline Limited	2,086,000	610,000	-	545,000	2,151,000	299,071	215,573	3.47
Pharmaceuticals								
Abbott Laboratories (Pakistan) Limited	110,200	-	-	78,000	32,200	30,094	22,057	0.36
AGP Limited	-	705,000	-	-	705,000	62,035	62,597	1.01
Ferozsons Laboratories Limited	45,750	-	-	45,750	-	-	-	-
GlaxoSmithKline Consumer Health care	205,000	41,800	-	43,000	203,800	46,979	82,549	1.33
The Searle Company Limited (note 5.2.1.3)	349,979	-	69,995	-	419,974	179,182	142,581	2.30
Highnoon Laboratories Limited (note 5.2.1.3)	13,798	-	155	12,500	1,453	813	596	0.01
Food & Personal Care Products								
Engro Foods Limited	113,300	50,000	-	159,500	3,800	467	338	0.01
Al-Shaheer Corporation Limited	332,225	100,000	-	425,000	7,225	276	197	-
Power Generation & Distribution								
The Hub Power Company Limited	1,311,097	-	-	175,000	1,136,097	133,412	104,703	1.69
K-Electric Limited (note 5.2.1.1)	27,885,500	50,000	-	5,250,500	22,685,000	156,501	128,851	2.08
Real Estate Investment Trust								
Dolmen City REIT	2,728,000	1,931,000	-	-	4,659,000	56,112	60,101	0.97
Textile composite								
Nishat Mills Limited	94,000	202,300	-	-	296,300	45,091	41,755	0.67
Engineering								
Crescent Steel & Allied Products Limited	258,950	-	-	105,500	153,450	36,609	13,990	0.23
International Industries Limited	36,500	42,000	-	-	78,500	23,432	18,235	0.29
International Steel Limited	249,500	50,000	-	92,000	207,500	24,975	21,103	0.34
Vanaspoti & Allied Industries								
Unity Foods	-	100,000	-	-	100,000	2,624	2,928	0.05
Right Certificate								
Engro Polymer & Chemicals Limited	-	-	553,520	-	553,520	-	4,882	0.08
Total as at June 30, 2018						4,947,466	4,241,333	
Total as at June 30, 2017						4,627,375	5,059,526	

5.2.1.1 All shares have a face value of Rs 10 each except for the shares of Thal Limited and K-Electric Limited which have a face value of Rs 5 and Rs 3.5 each respectively.

5.2.1.2 Investments include 150,000 shares of Engro Corporation Limited, having a market value of Rs 47.079 million (2017: Rs 48.889 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

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

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

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

5.2.2 Government Securities - GOP Ijarah Sukuk - Held for trading

Name of the security	Maturity Date	Profit rate	As at July 01, 2017	Acquired during the year	Sold / matured during the period	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of total investments
			(Number of certificates)			(Rupees in '000)		%	
GOP Ijarah Sukuk Certificates - XVII (Note 5.1.4)	February 15, 2019	6.10%	3,190	-	1,350	1,840	189,391	184,791	2.98
GOP Ijarah Sukuk Certificates - XVIII (Note 5.1.4)	March 29, 2019	5.59%	2,500	-	500	2,000	203,840	199,340	3.21
Total as at June 30, 2018							393,231	384,131	
Total as at June 30, 2017							577,654	583,147	

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

5.3.1 Listed equity securities - fair value through profit or loss upon initial recognition

Name of the investee company	As at July 01, 2017	Acquired during the year	Bonus shares during the year	Sold during the period	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of total investments
	(Number of certificates)				(Rupees in '000)		%	
Sector / companies								
Automobile assemblers								
Indus Motor Company Limited	18,555	-	-	18,555	-	-	-	-
Paper and Board								
Packages Limited	2,473	-	-	-	2,473	1,720	1,211	0.02
Total as at June 30, 2018						1,720	1,211	
Total as at June 30, 2017						19,006	35,000	

5.3.1.1 All shares have a face value of Rs 10 each.

5.3.2 Sukuk certificates - fair value through profit or loss upon initial recognition

Name of the investee company	Profit payments / Principal redemptions	Tenure	Maturity Date	Profit rate	As at July 1, 2017	Acquired during the year	Sold / matured during the year	As at June 30, 2018	Carrying value as at June 30, 2018*	Market value as at June 30, 2018*	Percentage of market value of total investments
					(Number of certificates)			(Rupees in '000)		(%)	
Secured											
Engro Fertilizer Pakistan Limited - (AA-, non-traded)	Semi-annually	5 years	July 9, 2019	6 months KIBOR plus base rate of 1.75%	10,880	-	3,740	7,140	36,889	36,057	0.58
K Electric Limited - (AA+, traded)	Quarterly	7 years	June 17, 2022	3 months KIBOR plus base rate of 1%	87,253	-	17,451	69,802	365,230	353,783	5.70
Security Leasing * Corporation Limited II	Annually	N/A	January 19, 2022	Nil	1,540	-	-	1,540	-	-	-
Eden Housing Limited *	Semi-annually	N/A	September 29, 2014	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	-	-	-
Arzoo Textile Mills Limited *	Semi-annually	N/A	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	-	-	-
Hascal Petroleum Limited - Sukuk (AA, Non-traded)	Quarterly	6 years	January 7, 2022	3 months KIBOR plus base rate of 1.50%	47,500	-	10,000	37,500	194,403	192,255	3.10
Fatima Fertilizer Company Limited - Sukuk (AA-, Non-traded)	Semi-annually	5 years	November 28, 2021	6 months KIBOR plus base rate of 1.10%	13,240	-	2,942	10,298	53,802	52,312	0.84
Dubai Islamic Bank Pakistan Limited - Sukuk (A+, Non-traded)	Semi-annually	10 Years	July 14, 2027	6 months KIBOR plus base rate of 0.50%	-	141	-	141	141,375	143,637	2.31
International Brands Limited - Sukuk	Annually	4 Years	November 15, 2021	12 months KIBOR plus base rate of 0.50%	-	3,000	-	3,000	300,000	300,000	4.83
Neelum Jhelum Hydropower Company (Pvt.) Limited (AAA, traded)	Semi-annually	10 Years	June 29, 2026	6 months KIBOR plus base rate of 1.13%	-	3,250	2,150	1,100	112,750	114,395	1.84
Meezan Bank Limited - Sukuk (AA, traded)	Semi-annually	10 years	September 22, 2026	6 months KIBOR plus base rate of 0.50%	-	200	-	200	203,000	203,000	3.27
Total as at June 30, 2018								1,407,448	1,395,439		
Total as at June 30, 2017								809,717	828,169		

5.3.2.1 All certificates having face value of Rs 5,000 each unless otherwise stated.

5.3.2.2 The cost of listed sukuk certificates as at June 30, 2018 is Rs. 1,407 million (2017: Rs. 810 million).

5.3.2.3 The nominal value of these sukuk certificates is Rs 5,000 each except for the sukuk certificates of Dubai Islamic Bank Pakistan Limited, Eden Housing Limited, International Brands Limited, Neelum Jhelum Hydropower Company (Pvt.) Limited and Meezan Bank Limited having nominal value of Rs 1,000,000, Rs 984,375, Rs 100,000, Rs 100,000 and Rs 1,000,000 respectively.

5.3.2.4 Details of non-compliant investments with the investment criteria of the assigned category

The Securities and Exchange Commission of Pakistan (SECP), vide its circular No. 16 dated July 07, 2010, prescribed certain disclosures for the schemes holding investments that were non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirement of their constitutive documents. The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (the Management Company) classified Meezan Balanced Fund (the Fund) as a 'Balanced



Scheme' in accordance with the said circular. As at June 30, 2018, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires the rating of any security in the portfolio shall not be lower than the investment grade. The following are the details of non-compliant investments held by the Fund:

Name of non-compliant investment	Type of investment	Note	Value of investment before provision	Provision held (if any)	Value of investment after provision	Percentage of net assets	Percentage of Gross assets
			(Rupees in '000)			%	
Listed							
Arzoo Textile Mills Limited	Non-traded sukuk certificates	5.3.2.5	25,000	25,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	5.3.2.5	4,922	4,922	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	5.3.2.6	7,701	7,701	-	-	-
Total - June 30, 2018			37,623	37,623	-	-	-
Total - June 30, 2017			37,623	37,623	-	-	-

5.3.2.5 Eden Housing Limited and Arzoo Textile Mills Limited sukuk certificates have been classified as non-performing by MUFAP. Therefore, in accordance with the requirements of SECP's Circular No. 33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 4.922 million and Rs. 25 million respectively has also been held as provision against the outstanding principal as at June 30, 2018.

5.3.2.6 The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore in accordance with the requirement of Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs. 7.701 million has also been held as provision against the outstanding principal as at June 30, 2018.

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
5.4 Investment - loans and receivables			
Term deposit receipts - having original maturity of more than 3 months	5.4.1	-	750,000

5.4.1 Investment - loans and receivables

Name of the bank	Maturity	Profit rate	As at July 01, 2017	Term deposit receipts purchased during the year	Matured during the year	As at June 30, 2018	Percentage of market value of total investments
		%	(Rupees in '000)			%	
BankIslami Pakistan Limited	December 01, 2017	5.90	500,000	-	500,000	-	-
Dubai Islamic Bank Limited	February 01, 2018	5.70	250,000	-	250,000	-	-
Bank Al Habib Limited	February 01, 2018	5.85	-	630,000	630,000	-	-
			750,000	630,000	1,380,000	-	

	Note	2018 (Rupees in '000)	2017
5.5 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'			
Market value of investments	5.1	182,853	248,333
Carrying value of investments	5.1	120,910	121,364
		61,943	126,969
Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1		126,969	117,903
		(65,026)	9,066
5.6 Net unrealised (diminution) / appreciation on re-measurement of Investments classified as Financial assets at fair value through profit or loss			
Market value of investments		6,022,114	6,505,842
Carrying value of investments		6,749,866	6,033,752
		(727,752)	472,090
6 ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Security deposits		2,800	2,800
Profit receivable on balances with banks and Term Deposit Receipt		22,436	52,782
Profit receivable on sukuk certificates		36,441	18,758
Advance tax	6.1	947	14
Advance against IPO subscription		500	-
		63,124	74,354

- 6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2018, withholding tax on dividend and profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends and profit on debt amounts to Rs 0.947 million.

Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted has been shown as other receivables as at June 30, 2018. In the opinion of the management, the amount of tax deducted at source will be refunded as the Fund has already claimed refunds against the tax so withheld, through filing of annual tax return.



	Note	2018 (Rupees in '000)	2017
7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED- MANAGEMENT COMPANY			
Management fee	7.1	13,044	15,932
Sindh Sales Tax on management fee	7.2	1,696	2,071
Sales load payable		232	9,338
Sindh Sales Tax on sales load		30	1,214
Allocated expenses payable	7.3	653	797
Selling and Marketing expenses payable	7.4	2,347	-
		18,002	29,352

- 7.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of Balanced schemes. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2017: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2018. The remuneration is payable to the Management Company monthly in arrears.
- 7.2** During the year, an amount of Rs 21.918 million (2017: Rs 18.997 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 22.293 million (2017: Rs. 18.007 million) has been paid to the Management Company which acts as a collecting agent.
- 7.3** The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.
- 7.4** During the period the SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund with effect from June 04, 2018 at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

	Note	2018 (Rupees in '000)	2017
8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC)			
Trustee fee payable	8.1	735	879
Sindh Sales Tax payable on trustee fee	8.2	96	114
		831	993

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

On net assets:

- up to Rs 1 billion
- over Rs 1 billion

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

- 8.2 During the year, an amount of Rs 1.226 million (2017: Rs 1.080 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 1.244 million (2017: Rs 1.031 million) was paid to the Trustee which acts as a collecting agent.

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, 2008, a collective investment scheme classified as a Balanced scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.085% of the average annual net assets of the Fund as annual fee.

	Note	2018 (Rupees in '000)	2017
10. ACCRUED EXPENSES AND OTHER LIABILITIES			
Withholding tax payable		-	73,371
Provision for Sindh Workers' Welfare Fund (SWWF)	10.2	38,656	38,656
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	10.3	30,789	30,789
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	10.3	6,838	6,838
Brokerage expenses payable		180	2,143
Charity payable	10.1	3,732	1,961
Shariah advisory fee		429	378
Auditors' remuneration payable		480	371
Others		92	393
		81,196	154,900

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

During the year ended June 30, 2018, non-shariah compliant income amounting to Rs 3.692 million (2017: Rs 2.005 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of the Shariah Advisor.

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

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



Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.08 per unit (2017: Re 0.07 per unit).

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 30.79 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.06 (2017: Re 0.05) per unit.

11. CONTINGENCIES AND COMMITMENTS

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

12. AUDITORS' REMUNERATION

Annual audit fee
Half yearly review of condensed Interim financial information
Fee for other certifications
Out of pocket expenses

2018 2017
(Rupees in '000)

Annual audit fee	277	250
Half yearly review of condensed Interim financial information	110	110
Fee for other certifications	100	120
Out of pocket expenses	21	41
	<u>508</u>	<u>521</u>

13. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 2.71% which includes 0.36% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Balanced scheme.

14. PERFORMANCETABLE	2018	2017	2016	2015	2014
Net assets (ex-distribution) (Rupees in '000)	7,843,005	9,516,105	4,707,687	3,383,460	1,930,486
Net assets value per unit / certificate as at June 30 (ex-distribution) (Rupees)	15.44	16.95	15.84	14.67	13.35
Distribution					
- Final	-	-	-	-	15.00%
- Interim	-	12.50%	6.00%	8.00%	22.50%
Dates of distribution	-	23-Jun-2017	24-Jun-2016	26-Jun-2015	30-May-2014
Distribution - Income distribution (Rupees in '000')	-	643,935	171,188	158,790	180,000
Distribution - growth distribution (Rupees in '000')	-	-	-	-	279,974
Highest NAV per unit (Rupees)	17.0948	19.59	16.57	15.64	15.69
Lowest NAV per unit (Rupees)	14.6771	15.92	14.25	12.96	12.95
Total return (%)	(9.00)	15.00	12.00	16.00	20.00
Earnings per certificate (Rupees)	-	-	-	-	-
	One year	Two years	Three years	Four years	Five Years
Average annual return as at June 30, 2018 (%)	(9.00)	15.00	(12.85)	14.23	(15.28)

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate.

15. TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds as per section 4B of the Income Tax Ordinance, 2001.

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

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 16.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.





- 16.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 16.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 16.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 16.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

	2018	2017
	(Rupees in '000)	
Al Meezan Investment Management Limited		
(Management Company)		
Transactions during the year		
Remuneration charged	168,600	146,130
Sindh Sales Tax on remuneration of the Management Company	21,918	18,997
Allocated expenses	8,430	7,307
Selling and marketing charges	2,347	-
Balances		
Remuneration payable	13,044	15,932
Sindh Sales Tax payable on management fee	1,696	2,071
Sales load payable	232	9,338
Sindh Sales Tax payable on sales load	30	1,214
Allocated expenses payable	653	797
Issue of nil units (2017: 46,967) units	-	800
Cash dividend	-	1,067
Outstanding 900,638 (2017: 853,671) units - at net asset value	13,903	15,266
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Transactions during the year		
Remuneration of the Trustee	9,430	8,306
Sindh Sales Tax on remuneration of the Trustee	1,226	1,080
CDS charges	140	153
Balances		
Trustee fee payable	735	879
Sindh Sales Tax payable on trustee fee	96	114
Security deposits refundable	300	300
Meezan Bank Limited (MBL)		
Transactions during the year		
Cash dividend paid during the year	-	23,608
Profit on saving account	495	1,116
Dividend income during the year	232	935



2017

	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total
Rupees in '000				
Financial assets				
Balances with banks	1,842,313	-	-	1,842,313
Investments	750,000	6,505,842	248,333	7,504,175
Receivable against sale of investments	1,851	-	-	1,851
Receivable against conversion of units	444,069	-	-	444,069
Dividend receivable	19,039	-	-	19,039
Advances, deposits and other receivables	74,340	-	-	74,340
	<u>3,131,612</u>	<u>6,505,842</u>	<u>248,333</u>	<u>9,885,787</u>

2017

	At fair value through profit or loss	Available-for-sale	Total
Rupees in '000			
Financial liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	-	29,352	29,352
Payable to the Central Depository Company - Trustee	-	993	993
Payable to Meezan Bank Limited	-	87,821	87,821
Payable on redemption and conversion of units	-	6,210	6,210
Payable against purchase of investments (net)	-	3,050	3,050
Dividend payable	-	87,370	87,370
Accrued expenses and other liabilities	-	5,246	5,246
	-	<u>220,042</u>	<u>220,042</u>

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

18.1 Market risk

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

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

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

(I) Yield / profit rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs.1.198 million (2017: Rs. 1.114 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds GOP Ijara Sukuks which are classified as financial assets at fair value through profit or loss' exposing the Fund to fair value profit rate risk. In case of 100 basis points increase in rates with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.295 million (2017: Rs. 0.205 million). In case of 100 basis points decrease in those rates, the net Income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.295 million (2017: Rs. 0.205 million).

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

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

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

	Effective yield / Interest rate (%)	2018			Total	
		Exposed to yield / Interest rate risk				Not exposed to yield / profit rate risk
		Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)						
Financial assets						
Balances with banks	2% - 6.5%	1,673,837	-	-	9,152	1,682,989
Investments	Weighted Average 12 months, 6 months & 3 months T-Bills & KIBOR + 0.5% to KIBOR +2.5% *	420,188	1,359,382	-	4,425,397	6,204,967
Receivable against conversion of units		-	-	-	13,311	13,311
Dividend receivable		-	-	-	14,017	14,017
Advances, deposits and other receivables		-	-	-	62,177	62,177
		2,094,025	1,359,382	-	4,524,054	7,977,461
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	18,002	18,002
Payable to the Central Depository Company - CDC - Trustee		-	-	-	831	831
Payable to Meezan Bank Limited (MBL)		-	-	-	307	307
Payable against redemption and conversion of units		-	-	-	3,380	3,380
Payable against purchase of investments		-	-	-	16,084	16,084
Dividend payable		-	-	-	8,437	8,437
Accrued expenses and other liabilities		-	-	-	4,913	4,913
		-	-	-	51,954	51,954
On-balance sheet gap (a)		2,094,025	1,359,382	-	4,472,100	7,925,507
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		2,094,025	1,359,382	-		
Cumulative profit rate sensitivity gap		2,094,025	3,453,407	3,453,407		





2017

	Effective yield / interest rate (%)	Exposed to yield / Interest rate risk			Not exposed to yield / profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)						
Financial assets						
Balances with banks	2.00% to 5.70%	1,825,753	-	-	16,560	1,842,313
Investments	Weighted Average 6 months T-Bills & KIBOR + 1% to KIBOR +1.5%	-	750,000	1,411,316	5,819,625	7,980,941
Receivable against conversion of units		-	-	-	444,069	444,069
Receivable against sale of Investments		-	-	-	1,851	1,851
Dividend receivable		-	-	-	19,039	19,039
Advances, deposits and other receivables		-	-	-	74,340	74,340
		1,825,753	750,000	1,411,316	6,375,484	10,362,553
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	29,352	29,352
Payable to the Central Depository Company -CDC - Trustee		-	-	-	993	993
Payable to the Securities and Exchange Commission of Pakistan		-	-	-	6,210	6,210
Payable to Meezan Bank Limited (MBL)		-	-	-	3,050	3,050
Payable against redemptions of units		-	-	-	87,821	87,821
Dividend payable		-	-	-	87,370	87,370
Accrued expenses and other liabilities		-	-	-	154,900	154,900
		-	-	-	369,696	369,696
On-balance sheet gap (a)		1,825,753	750,000	1,411,316	6,005,788	9,992,857
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		1,825,753	750,000	1,411,316		
Cumulative profit rate sensitivity gap		1,825,753	2,575,753	3,987,069		

(ii) Currency risk

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

(iii) Price risk

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

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of 30 June 2018.

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

In case of 1% increase / decrease in KMI 30 index on June 30, 2018, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 44.254 (2017: Rs. 53.429) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as available-for-sale or financial assets at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI-30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

18.2 Liquidity risk

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

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

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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

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

	2018					Financial instruments with no fixed maturity	Total
	Within 1 month	More than one month and upto three months	More than three months and upto one year	More than three months and upto five year	More than 5 years		
(Rupees in '000)							
Financial assets							
Balances with banks	1,682,989	-	-	-	-	-	1,682,989
Investments	-	-	-	-	-	6,204,967	6,204,967
Receivable against conversion of units	13,311	-	-	-	-	-	13,311
Dividend receivable	14,017	-	-	-	-	-	14,017
Advances, deposits and other receivables	58,877	-	-	-	-	4,247	63,124
	1,769,194	-	-	-	-	6,209,214	7,978,408
Financial liabilities							
Payable to Al Meezan Investment Management Limited - Management Company	18,002	-	-	-	-	-	18,002
Payable to Central Depository Company Limited - Trustee	831	-	-	-	-	-	831
Payable to Meezan Bank Limited	307	-	-	-	-	-	307
Payable against redemption and conversion of units	3,380	-	-	-	-	-	3,380
Payable against purchase of investments	16,084	-	-	-	-	-	16,084
Dividend payable	8,437	-	-	-	-	-	8,437
Accrued expenses and other liabilities	42,540	-	-	-	-	-	42,540
	89,581	-	-	-	-	-	89,581
Net assets / (liabilities)	1,679,613	-	-	-	-	6,209,214	7,888,827



	2017						
	Within 1 month	More than one month and upto three months	More than three months and upto one year	More than three months and upto five year	More than 5 years	Financial Instruments with no fixed maturity	Total
	(Rupees in '000)						
Financial assets							
Balances with banks	1,842,313	-	-	-	-	-	1,842,313
Investments	-	-	-	750,000	-	6,754,175	7,504,175
Receivable against sale of investments	1,851	-	-	-	-	-	1,851
Receivable against conversion of units	444,069	-	-	-	-	-	444,069
Dividend receivable	19,039	-	-	-	-	-	19,039
Advances, deposits and other receivables	-	71,540	-	-	-	2,814	74,354
	2,307,272	71,540	-	750,000	-	6,756,989	9,885,801
Financial liabilities							
Payable to Al Meezan Investment Management Limited - Management Company	29,352	-	-	-	-	-	29,352
Payable to Central Depository Company Limited - Trustee	993	-	-	-	-	-	993
Payable to Meezan Bank Limited	3,050	-	-	-	-	-	3,050
Payable against redemption and conversion of units	87,821	-	-	-	-	-	87,821
Dividend payable	87,370	-	-	-	-	-	87,370
Accrued expenses and other liabilities	42,873	-	-	-	-	-	42,873
	251,459	-	-	-	-	-	251,459
Net assets / (liabilities)	2,055,813	71,540	-	750,000	-	6,756,989	9,634,342

18.3 Credit risk

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

	2018		2017	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
	(Rupees in '000)			
Balances with banks	1,682,989	1,682,989	1,842,313	1,842,313
Investments	1,395,439	1,395,439	1,578,169	1,578,169
Receivable against conversion of units	13,311	13,311	444,069	444,069
Dividend receivable	14,017	14,017	19,039	19,039
Receivable against sale of investments	-	-	1,851	1,851
Advances, deposits and other receivables	63,124	63,124	74,354	74,354
	3,168,880	3,168,880	3,959,795	3,959,795

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

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

18.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2018	2017
A+	79.30	97.20
AA+	7.93	2.70
AA-	0.45	0.09
A	-	0.01
AAA	12.32	-
AA	-	-
	<u>100</u>	<u>100</u>

18.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's investments in sukuk certificates are broadly diversified thereby mitigating any significant concentration of credit risk. The table below analyses the Fund's concentration of credit risk by industrial distribution for its exposure in sukuk certificates:

Rating	% of debt instruments	
	2018	2017
Government guaranteed	21.59	26.98
AAA	6.43	-
AA+	19.88	21.12
AA	39.06	-
AA-	4.97	17.20
A+	8.07	34.70
	<u>100</u>	<u>100</u>

The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

19. FAIR VALUE MEASUREMENT

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

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

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

Fair value hierarchy

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



Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

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

	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
Financial assets			
At fair value through profit or loss	4,242,544	1,779,570	-
Available-for-sale	182,853	-	-
	4,425,397	1,779,570	-
	2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Financial assets			
At fair value through profit or loss	5,094,526	1,411,316	-
Available-for-sale	248,333	-	-
	5,342,859	1,411,316	-

20. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

21. UNIT HOLDING PATTERN OF THE FUND

Category	2018			2017		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	5,772	3,970,987	50.63	4,950	4,977,219	52.30
Associated Companies / Directors	4	407,921	5.20	5	448,032	4.71
Insurance Companies	3	13,634	0.20	3	34,335	0.36
Banks and DFIs	1	21	0.00	1	23	0.00
NBFCs	1	369	0.01	1	406	0.00
Retirement Funds	90	1,907,351	24.32	93	1,894,489	19.91
Public Limited Companies	5	50,369	0.64	8	208,667	2.19
Others	68	1,490,353	19.00	70	1,952,934	20.53
	5,944	7,843,005	100%	5,131	9,516,105	100%



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

2018		2017	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Foundation Securities (Pvt) Limited	12%	Elxir Securities (Private) Limited	12%
Optimus Capital Management (Private) Limited	9%	Optimus Capital Management (Private) Limited	10%
Arif Habib Securities Limited	8%	Next Capital Securities Limited	8%
EFG Hermes Securities Limited (Formerly Invest & Finance Securities Limited)	7%	Arif Habib Securities Limited	8%
JS Global Capital Limited	7%	JS Global Capital Limited	7%
Al Falah Securities (Private) Limited	6%	Taurus Securities Limited	7%
Paramount Capital Limited	6%	BMA Capital Management Limited	7%
Topline Securities Limited	5%	Topline Securities Limited	5%
Standard Capital (Private) Limited	5%	Aba Ali Habib Securities (Private) Limited	5%
Aba Ali Habib Securities (Private) Limited	4%	Al Falah Securities (Private) Limited	5%

23. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

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

The Fund manager of the Fund is Mr. Asif Imtiaz. Other funds being managed by the fund manager are as follows :

- KSE Meezan Index Fund
- Meezan Financial Planning Fund of Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund-II
- Meezan Dedicated Equity Fund





24. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

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

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

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

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

25. CORRESPONDING FIGURES

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

26. DATE OF AUTHORISATION FOR ISSUE

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

27. GENERAL

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

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

Mohammad Shoaib, CFA
Chief Executive

Syed Amir Ali Zaidi
Director



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